

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

**Report and Financial Statements for the year ended
31 March 2024**

Scheme Registration No: 10000006



NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TABLE OF CONTENTS

Trustee and Advisers	2
Trustee's Report	4
Investment Report	8
Report on Actuarial Liabilities	12
Actuary's Certificate of Schedule of Contributions	13
Statement of Trustee's Responsibilities	14
Independent Auditor's Report	15
Fund Account	18
Statement of Net Assets (Available for Benefits)	19
Notes to the Financial Statements	20
Independent Auditor's Statement about Contributions	40
Summary of Contributions paid in the year	41
Governance Statement	42
Implementation Statement	77

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE AND ADVISERS

Trustee:	Nuffield Health Pension Trustees Limited
Trustee Directors:	Pi Consulting (Trustee Services) Limited : Chair Michael William Weston (Appointed 4 December 2023) Douglas Ross (Resigned 4 December 2023) Pi Consulting (Trustee Services) Limited : Chair
Secretary to the Trustee:	Rob Durbin Pi Consulting (UK) Ltd 2 nd Floor Tuition House Wimbledon SW19 4EU
Actuary:	Mr Adam Stanley FIA Tempus Court Onslow Street Guildford Surrey GU1 4SS
Auditor:	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
Legal Advisers:	Squire Patton Boggs (UK) LLP 60 London Wall London EC2M 5TQ
Investment Advisers:	Schroders IS Limited 1 London Wall Place London EC2Y 5AU
Bankers:	Barclays Bank plc 1 Churchill Place London E14 5HP
Investment Managers:	Schroders IS Limited 1 London Wall Place London EC2Y 5AU Mobius Life 20 Gresham Street London EC2V 7JE

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE AND ADVISERS (continued)

AVC Providers:

Clerical Medical

Standard Life

Custodians:

CACEIS

11 Westferry Circus

London E14 4HD

Administrators:

XPS Pensions Group Limited

1 Station Hill

Reading RG1 1NB

XPS Administration Limited

1 Colmore Row

Birmingham B3 2BJ

Sponsoring Employer:

Nuffield Health

Epsom Gateway

Ashley Avenue

Epsom

Surrey KT18 5AL

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024

The Trustee Directors present to the members their annual report and financial statements for the year ended 31 March 2024.

Scheme Information

The Nuffield Health Pension and Life Assurance Scheme is governed by the Definitive Trust Deed, dated 11 December 2012, including subsequent amendments.

The Scheme provides pensions and lump sum benefits on retirement and death for those employees who are members of the Scheme.

The Final Salary Section closed on 31 May 2007 and a new Money Purchase Section was opened on 1 June 2007 for the members who were active at that date. The Scheme continues to accept contributions for this cohort of members for as long as they remain in active pensionable service.

Trustee Directors are appointed and removed from office by the principal employer in accordance with the Trust Deed. Trustee Directors have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents, and in the best interests of the members.

Under the provisions of the Pensions Act 2004, at least one-third of the Trustee Directors must be nominated by Scheme members. However, the Scheme is exempt from these requirements as the sole current trustee is an independent trustee.

During the year, the Trustee met regularly to review the management of the Scheme and to monitor the performance of the investment managers, administrators and advisers.

Membership

	Actives - Hybrid	Deferred DB Only	Deferred - Hybrid	Pensioners	Total
As at 31st March 2023	332	1,827	580	3,181	5,920
Adjustments/Late notifications	-	-1	+1	(7)	(7)
As at 1st April 2023	332	1,826	581	3,233	5,913
Net movements over year	-42	-105	-32	103	(76)
As at 31st March 2024	290	1,721	549	3,277	5,837

The number of active defined contribution and deferred defined benefit members includes 290 members (2023: 332) who are entitled to defined benefits in respect of their pre-31 May 2007 membership.

Pension increases

All pensions in payment were increased in accordance with the Rules of the Scheme. The increases applied on 1 January 2024 were

Pre 88 GMP – 0%

Post 88 GMP – 3.0%

Pre 05 Excess – 5.0%

Post 05 – 2.5%

Deferred pensions in excess of the GMP are increased annually in line with the cost of living, up to a maximum of 5% are increased annually in line with statutory requirements. There were no discretionary increases made during the year.

Transfer Values

Cash Equivalent Transfer Values to other Registered pension arrangements are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

Benefit/Scheme Changes

There have been no other significant changes over the year to 31 March 2024.

Financial Development of the Scheme

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

	£
Net assets at 31 March 2023	395,737,446
Net withdrawals from dealings with members	(17,061,925)
Net returns on investments	<u>11,435,443</u>
Net assets at 31 March 2024	<u><u>390,110,964</u></u>

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

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Section 37

The Trustee notes the decision handed down by the High Court on 16 June 2023 in relation to Section 37 of the Pension Schemes Act 1993 and specifically the ability to make amendments to benefits in contracted out schemes where certain conditions are met.

The Trustee has considered the matter with its legal advisers and no immediate action is required. The Trustee continues to monitor the situation closely.

Going concern

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

Enquiries

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

c/o XPS Administration Limited
PO Box 562
Middlesbrough TS1 9JA

Defined Contribution Section

Email: nuffield@xpsplc.com

Defined Benefits Section

Email: nuffielddb@xpsplc.com

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

MoneyHelper

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

Pensions Ombudsman

If you have a complaint concerning your Scheme pension arrangements, you should first make a formal complaint to the Scheme Trustee. Complaints should be addressed to the Scheme Trustee at the address above under Enquiries.

If you are unhappy with the response, you can refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU
Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

You can also submit a complaint online: www.pensions-ombudsman.org.uk/making-complaint

The Pensions Regulator (TPR)

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

Telecom House
125-135 Preston Road
Brighton BN1 6AF

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10000006. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193

Website: www.gov.uk/find-lost-pension

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INVESTMENT REPORT

The Trustee has entered into an Investment Management Agreement with Schroders IS Limited ('Schroders Solutions') as the investment manager of the portfolio of the Scheme's assets and investments.

The Trustee has chosen to implement their investment strategy through Schroders Solutions' Fiduciary Management service, an implemented solution which allows trustees to retain ownership of those decisions which have the greatest importance to the Scheme's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to Schroders Solutions. In addition, the Trustee has appointed CACEIS as custodian of the Scheme's assets.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which sets out its policy on investment issues, including risks, diversification of investments and details of the key elements of the investment arrangements of the Scheme.

The Statement of Investment Principles ("SIP") sets out how the Scheme takes into account financially material considerations, including Environmental, Social and Governance ("ESG") factors, in its investment decision making process. Copies of the SIP are available on request.

Corporate Governance and Stewardship

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

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

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

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

The Trustee has delegated responsibility for monitoring and voting on decisions relating to its Underlying Manager holdings to the Investment Manager. The Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes are subject to additional sign-off by the appropriate representative of the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

INVESTMENT REPORT (continued)

Financially material investment considerations

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

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

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

Custodial Arrangements

The Trustee has appointed CACEIS as custodian of the Scheme's segregated assets.

Pooled Investment managers appoint custodians across their respected funds and the Trustee is not involved in the process.

The custodians are responsible for the safekeeping of share certificates and other documentation relating to the ownership of listed investments, settlement of trades and income collection.

The Trustee is responsible for ensuring that the Scheme's assets continue to be held securely. It reviews the custodian arrangements from time to time and the Scheme's Auditor is authorised to make whatever investigations it deems necessary as part of the annual audit procedures.

Investment Objectives/Strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 2.8% per annum (net of fees) in excess of the returns on the Liability Benchmark Portfolio ("LBP").

The objectives of each section are as follows:

- Growth Assets (GA): aims to generate returns of 4.125% in excess of cash per annum net of fees over a three-year period.
- Liability Hedging Assets (LHA): aims to generate returns in line with assets in the LHA per annum net of fees over a three-year period.
- Cash Flow Matching Credit Assets (CFMCA): invested in high quality investment grade credit to efficiently match a proportion of the Scheme's liability cashflows.
- EDOS: the aim of the Equity Derivative Overlay Strategy (EDOS) is to reduce equity risk by investing in equity options which, when combined with cash or cash equivalent positions, provide a shaped exposure to specified equity indices, for the purposes of efficient portfolio management.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INVESTMENT REPORT (continued)

Investment Objectives/Strategy (continued)

The bespoke liability hedging strategy is implemented via holding fixed interest and index-linked gilts, treasury strips and interest rate and inflation swaps (contracts between the Scheme and a counterparty bank) and aims to reduce the Scheme's funding level sensitivity to changes in interest rates and inflation. The collateral for the liability hedge comprised of the fixed interest and index-linked gilts, treasury strips, as well as an amount of liability hedge cash are held in the Liability Hedging Assets.

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (the Growth Assets) and liability-matching assets (known as the Liability Hedging assets). Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee has adopted a 50% Growth Assets/20% Liability Hedging Assets/10% Cashflow Matching Credit Assets/20% EDOS split (2023: 60% Growth Assets/20% Liability Hedging Assets/10% Cash Flow Matching Credit Assets/10% EDOS split). The Investment Manager has discretion to implement the Trustee's investment strategy to meet the objective, as described below.

Growth Assets (GA)

The GA holds a diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Scheme's liabilities. The objective for the GA is to achieve a return of at least 4.125% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

During the year, the GA has been invested in a diversified portfolio of equities, global government, high yield, and emerging market bonds, and alternative assets such as hedge funds and leveraged loans. The following table shows the asset class restrictions of the GA as well as the asset allocation as a proportion of the GA at the current and prior year end:

Asset Class	Min %	Max %	31 Mar 2024 %	31 Mar 2023 %
Equities	20	65	46.9	40.8
Property	0	20	5.7	8.4
Return Seeking Credit	0	45	18.1	19.3
Commodities	0	15	1.0	0.0
Alternatives	0	40	15.2	16.4
Cash & Sovereign Bonds	0	40	13.1	15.1
			100.0	100.0

Please note clean values have been used where applicable. All restrictions expressed as a proportion of the Growth Assets. Currency hedging is not included in the figures above.

Investment Performance

Performance of the Scheme's assets against the objectives is shown above:

Portfolio Section	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.
Growth Assets	10.4	4.2	5.2
Objective	9.2	6.6	5.7
Relative	1.2	-2.4	-0.5
Total Portfolio (excl. Liability Hedge)	2.6	-7.6	-2.8
Objective	-2.6	-6.9	-2.5
Relative	0.0	-0.7	-0.3

Performance is shown net of fees to the extent that fees are paid from assets. Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested.

The performance of the Scheme assets were below the objective during the year. The Trustee continued to monitor the performance of the Scheme assets on a regular basis.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INVESTMENT REPORT (continued)

Defined Contribution Section

The investment objectives of the Defined Contribution Section are set out below:

- Provide a suitable and understandable range of investment options for members, with appropriate investment guidelines, target returns and risk (where risk is measured by fluctuations in returns and the level of any falls in value);
- Provide a default option that takes an appropriate level of risk on behalf of the member in pursuit of growth, according to their age and/or planned retirement date; and
- Ensure contributions payable by the employers and members are invested in accordance with the options selected by members.

Over the 5 years to 31/03/2024, performance of the three blended funds in the default strategy, Long Term Growth, Stable Growth and Cautious Growth, were all behind their inflation-linked return targets, primarily due to the high levels of inflation which occurred during 2022 and 2023. The Retirement Protection fund continues to track its benchmark closely. All funds have performed within their agreed risk parameters. Further details are available on page 47.

Financially material investment considerations

These considerations can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance (“ESG”) factors where relevant. The Trustee delegates consideration of financially material factors to the Platform Manager, who considers these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long-term performance, by the Trustee (in conjunction with its advisers) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustee requests the Platform Manager monitors ongoing compliance with ESG and other factors, like stewardship, as part of overall engagement.

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members’ ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time, the Trustee has no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

Employer Related Investments

There were no Employer related investments during the year.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

REPORT ON ACTUARIAL LIABILITIES

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2021. This showed that on that date:

- the value of the technical provisions was £523.7 million
- the value of the assets was £513.0 million.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles prepared on 27 June 2022).

Method

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefits Method.

Significant actuarial assumptions

Discount interest rates: term dependent rates set by reference to the gilt interest rate curve, with margins above the reference curve reducing linearly from 1.9% p.a. to 0.50% p.a. over the next 15 years from the valuation date. A single discount rate structure has been adopted, rather than different rates applying before and after retirement.

Future Retail Prices Index ("RPI") inflation: term dependent rates set by reference to the gilt RPI inflation curve.

Future Consumer Prices Index ("CPI") inflation: set as future RPI inflation less a deduction equal to 1% p.a. prior to February 2030 and then set equal to RPI inflation from February 2030.

Future pension increases in payment: pensions accrued after 31 July 2005 increase in line with RPI inflation subject to a cap of 2.5% p.a. Pensions in excess of Guaranteed Minimum Pension ("GMP") accrued before this date increase in line with RPI inflation subject to a floor of 2.5% p.a. and a cap of 5% p.a. GMPs accrued after 5 April 1988 increase in line with CPI inflation capped at 3% p.a. These increases are calculated using the Black-Scholes model with inflation volatility of 1.5% p.a.

Future pension increases in deferment: set as future CPI inflation capped at 5% p.a., for pension in excess of GMP.

Future mortality in retirement: 102% of the mortality rates in the standard SAPS (S3PA) base tables, with an allowance for future improvements in line with the CMI 2020 projection model using long term annual improvement rates of 2% for males and 1.5% for females, initial addition of 0.4% p.a. and a 2020 weight parameter of 0%.

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of schedule of contributions

Nuffield Health Pension and Life Assurance 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 can be expected to be met by the end of the period specified in the recovery plan dated 27 June 2022.

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 27 June 2022.

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

Signature



Date

27 June 2022

Name

Adam Stanley

Qualification

Fellow of the Institute
and Faculty of Actuaries

Address

Tempus Court, Onslow Street, Guildford, GU1 4SS

Employer

XPS Pensions

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with 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), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

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

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

13 September 2024

..... Date

For and on behalf of the Trustee



.....

Trustee

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

Opinion

We have audited the financial statements of Nuffield Health Pension and Life Assurance Scheme for the year ended 31 March 2024 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME (continued)

Responsibilities of the Trustee

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount of the payment of the transactions.
- Diversion of income from the asset backed funding. This is addressed through testing the fixed amounts payable under the agreement.

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

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

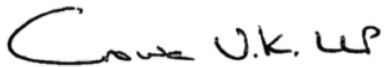
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NUFFIELD HEALTH PENSION AND LIFE ASSURANCE 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 Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe U.K. LLP

London

Statutory Auditor

Date: 13 September 2024

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

FUND ACCOUNT

For the year ended 31 March 2024

	Note	2024 Defined Benefit Section £	2024 Defined Contribution Section £	2024 Total £	2023 Defined Benefit Section £	2023 Defined Contribution Section £	2023 Total £
CONTRIBUTIONS AND BENEFITS							
Employer contributions	4	4,010,500	1,174,541	5,185,041	4,619,417	1,266,222	5,885,639
Employee contributions	4	-	193,398	193,398	-	147,719	147,719
Total contributions	4	4,010,500	1,367,939	5,378,439	4,619,417	1,413,941	6,033,358
Other income	5	-	-	-	3,100	-	3,100
		4,010,500	1,367,939	5,378,439	4,622,517	1,413,941	6,036,458
Benefits paid or payable	6	15,771,608	2,895,829	18,667,437	14,876,469	2,424,042	17,300,511
Payments to and on account of leavers	7	686,725	2,038,890	2,725,615	377,981	1,445,011	1,822,992
Administrative expenses	8	1,047,312	-	1,047,312	1,159,649	-	1,159,649
		17,505,645	4,934,719	22,440,364	16,414,099	3,869,053	20,283,152
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(13,495,145)	(3,566,780)	(17,061,925)	(11,791,582)	(2,455,112)	(14,246,694)
RETURNS ON INVESTMENTS							
Investment income	9	11,939,526	25,911	11,965,437	14,888,080	7,733	14,895,813
Change in market value of investments	11	(4,103,818)	4,161,644	58,826	(126,491,985)	(2,447,099)	(128,939,084)
Investment management expenses	10	(587,820)	-	(587,820)	(825,770)	-	(825,770)
NET RETURNS ON INVESTMENTS		7,247,888	4,187,555	11,435,443	(112,429,675)	(2,439,366)	(114,869,041)
NET (DECREASE)/INCREASE IN THE FUND FOR THE YEAR		(6,247,257)	620,775	(5,626,482)	(124,221,257)	(4,894,478)	(129,115,735)
TRANSFERS BETWEEN SECTIONS		72,269	(72,269)	-	-	-	-
OPENING NET ASSETS		355,229,762	40,507,684	395,737,446	479,451,019	45,402,162	524,853,181
CLOSING NET ASSETS		349,054,774	41,056,190	390,110,964	355,229,762	40,507,684	395,737,446

The notes on pages 20 to 39 form part of these financial statements.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2024

	Note	2024 Defined Benefit Section £	2024 Defined Contribution Section £	2024 Total £	2023 Defined Benefit Section £	2023 Defined Contribution Section £	2023 Total £
INVESTMENT ASSETS	11						
Asset backed funding		57,500,000	-	57,500,000	61,200,000	-	61,200,000
Bonds		136,129,210	-	136,129,210	137,118,910	-	137,118,910
Pooled investment vehicles	12	142,094,726	39,671,273	181,765,999	164,226,961	38,825,709	203,052,670
Derivatives	13	34,620,202	-	34,620,202	20,451,277	-	20,451,277
Insurance policies	14	200,000	-	200,000	100,000	-	100,000
AVC investments	15	402,727	268,880	671,607	555,453	265,192	820,645
Cash deposits		3,168,574	-	3,168,574	10,675,566	10,711	10,686,277
Other investment balances	16	2,729,468	-	2,729,468	1,112,552	-	1,112,552
		<u>376,827,398</u>	<u>39,940,153</u>	<u>416,767,551</u>	<u>395,440,719</u>	<u>39,101,612</u>	<u>434,542,331</u>
INVESTMENT LIABILITIES							
Derivatives	13	<u>(33,472,558)</u>	<u>-</u>	<u>(33,472,558)</u>	<u>(47,546,562)</u>	<u>-</u>	<u>(47,546,562)</u>
TOTAL NET INVESTMENTS		<u>343,372,349</u>	<u>39,940,153</u>	<u>383,312,502</u>	<u>347,894,157</u>	<u>39,101,612</u>	<u>386,995,769</u>
CURRENT ASSETS	20	6,603,685	1,466,994	8,070,679	8,055,416	1,797,857	9,853,273
CURRENT LIABILITIES	21	<u>(921,260)</u>	<u>(350,957)</u>	<u>(1,272,217)</u>	<u>(719,811)</u>	<u>(391,785)</u>	<u>(1,111,596)</u>
CLOSING NET ASSETS		<u><u>349,054,774</u></u>	<u><u>41,056,190</u></u>	<u><u>390,110,964</u></u>	<u><u>355,229,762</u></u>	<u><u>40,507,684</u></u>	<u><u>395,737,446</u></u>

The notes on pages 20 to 39 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on page 12 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on **13 September 2024**

For and on behalf of the Trustee



.....
Trustee

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. BASIS OF PREPARATION

The financial statements have been prepared on going concern basis in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) (Amendment) Regulations 2016, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018).

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is XPS Administration Limited, PO Box 562, Middlesbrough, TS1 9JA.

3. ACCOUNTING POLICIES

(a) *Accounting Convention*

The financial statements are prepared on an accruals basis.

(b) *Contributions*

Employee contributions to the DC Section are accounted for when they are deducted from pay by the employer.

Employer normal contributions to the DC Section are expressed as a rate of salary are accounted for on the same basis as the employees' contributions.

Employer contributions to the DB Section are accounted for on an accruals basis.

Employer special and augmentations are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a receipts basis.

Employer administration expense contributions are recognised on the due dates in accordance with the Schedule of Contributions.

(c) *Payments to Members*

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

Benefits, and any associated taxation due to lifetime or annual allowances where the member has elected for the Scheme to settle the liability on their behalf, are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

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

(d) *Expenses*

Expenses (Administrative and Investment Manager) are accounted for on an accruals basis. The Scheme bears all the costs of administration.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

3. ACCOUNTING POLICIES (continued)

(e) **Investment Income**

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

Income from pooled investment vehicles is accounted for when declared by the fund manager. Income arising on the underlying investments of accumulation funds is reflected within the change in market value. Asset backed funding income is recognised on an accruals basis.

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns in the Fund Account.

(f) **Investments**

Investments are included at fair value as follows:

Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable and is therefore valued at its clean price.

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

Annuities in the name of the Scheme have been valued by the Scheme Actuary at the present value of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

The Scheme's interest in the Nuffield Health Scottish Limited Partnership (SLP) is stated at the Actuary's estimate of the present value of expected cashflows arising from the SLP. The discount rate used to determine the present value is based on market gilt rates at the reporting date adjusted for credit, funding and liquidity risks.

Exchange traded futures are included at fair value, determined using market quoted prices.

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

Options are valued at their mark to market value. If a quoted market price is not available on a recognised exchange the fair value is calculated using pricing models such as Black-Scholes, where inputs are based on market data at the year-end date.

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

(g) **Foreign Currency Translation**

The Schemes functional and presentational currency is pounds Sterling. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the year-end.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

4. CONTRIBUTIONS

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Employer contributions			
Normal	-	1,174,541	1,174,541
Augmentation	10,500	-	10,500
Deficit funding	4,000,000	-	4,000,000
	<u>4,010,500</u>	<u>1,174,541</u>	<u>5,185,041</u>
Employee contributions			
Normal	-	142,068	142,068
Additional voluntary	-	51,330	51,330
	<u>-</u>	<u>193,398</u>	<u>193,398</u>
	<u>4,010,500</u>	<u>1,367,939</u>	<u>5,378,439</u>
		2023	
Employer contributions			
Normal	-	1,266,222	1,266,222
Deficit funding	4,499,250	-	4,499,250
Other	120,167	-	120,167
	<u>4,619,417</u>	<u>1,266,222</u>	<u>5,885,639</u>
Employee contributions			
Normal	-	147,719	147,719
	<u>4,619,417</u>	<u>1,413,941</u>	<u>6,033,358</u>

Employer normal contributions above comprise the standard contributions payable in accordance with the relevant Schedule of Contributions together with the equivalent of member contributions for those members who have participated in salary sacrifice arrangements.

Deficit contributions of £4.0 million are payable for the year ended 31 March 2023, £4.0 million per annum for the years ended 31 March 2024 and 2025 and £5.56 million per annum until 31 March 2028.

5. OTHER INCOME

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Other income	<u>-</u>	<u>-</u>	<u>-</u>
		2023	
Other income	<u>3,100</u>	<u>-</u>	<u>3,100</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

6. BENEFITS PAID OR PAYABLE

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Pensions	14,084,400	-	14,084,400
Commutation of pensions and lump sum retirement benefits	1,675,028	1,578,495	3,253,523
Purchase of annuities	-	1,196,359	1,196,359
Lump sum death benefits	12,180	120,975	133,155
	<u>15,771,608</u>	<u>2,895,829</u>	<u>18,667,437</u>

		2023	
Pensions	13,379,619	-	13,379,619
Commutation of pensions and lump sum retirement benefits	1,465,421	1,204,994	2,670,415
Purchase of annuities	-	1,156,095	1,156,095
Lump sum death benefits	7,612	61,919	69,531
Refunds of contributions on death	23,817	1,034	24,851
	<u>14,876,469</u>	<u>2,424,042</u>	<u>17,300,511</u>

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Individual transfers out to other schemes	<u>686,725</u>	<u>2,038,890</u>	<u>2,725,615</u>

		2023	
Individual transfers out to other schemes	<u>377,981</u>	<u>1,445,011</u>	<u>1,822,992</u>

8. ADMINISTRATIVE EXPENSES

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Administrative expenses	379,020	-	379,020
Actuarial fees	243,420	-	243,420
Legal fees	73,350	-	73,350
Trustee fees & expenses	169,823	-	169,823
Levy, professional and other fees	92,999	-	92,999
Audit fees	49,100	-	49,100
Pension manager fees	39,600	-	39,600
	<u>1,047,312</u>	<u>-</u>	<u>1,047,312</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

8. ADMINISTRATIVE EXPENSES (continued)

	2023		Total
	Defined Benefit Section £	Defined Contribution Section £	£
Administrative expenses	341,789	-	341,789
Actuarial fees	418,294	-	418,294
Legal fees	107,666	-	107,666
Trustee fees & expenses	106,922	-	106,922
Levy, professional and other fees	112,798	-	112,798
Audit fees	44,480	-	44,480
Pension manager fees	27,700	-	27,700
	<u>1,159,649</u>	<u>-</u>	<u>1,159,649</u>

9. INVESTMENT INCOME

	2024		Total
	Defined Benefit Section £	Defined Contribution Section £	£
Income from bonds	2,216,471	-	2,216,471
Income from pooled investment vehicles	10,420,118	-	10,420,118
Interest on cash deposits	381,195	25,911	407,106
Gains/(losses) on foreign exchange	89,145	-	89,145
Income from derivatives / swaps	(5,197,048)	-	(5,197,048)
Annuity income	29,645	-	29,645
Other investment income	4,000,000	-	4,000,000
	<u>11,939,526</u>	<u>25,911</u>	<u>11,965,437</u>

	2023		Total
Income from bonds	1,363,683	-	1,363,683
Income from pooled investment vehicles	9,698,991	-	9,698,991
Interest on cash deposits	214,915	7,733	222,648
Income from derivatives / swaps	(43,300)	-	(43,300)
Annuity income	28,791	-	28,791
Other investment income	3,625,000	-	3,625,000
	<u>14,888,080</u>	<u>7,733</u>	<u>14,895,813</u>

10. INVESTMENT MANAGEMENT EXPENSES

	2024		Total
	Defined Benefit Section £	Defined Contribution Section £	£
Administration, management & custody	<u>587,820</u>	<u>-</u>	<u>587,820</u>

	2023		Total
Administration, management & custody	<u>825,770</u>	<u>-</u>	<u>825,770</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

11. RECONCILIATION OF INVESTMENTS

	Value at 31.03.2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31.03.2024
	£	£	£	£	£
Defined Benefit Section					
Asset backed funding	61,200,000	-	-	(3,700,000)	57,500,000
Bonds	137,118,910	94,792,419	(88,071,685)	(7,710,43)	136,129,210
Pooled investment vehicles	164,226,961	53,735,383	(78,990,339)	3,122,721	142,094,726
Derivatives	(27,095,285)	34,996,680	(11,148,611)	4,394,860	1,147,644
Insurance policies	100,000	-	-	100,000	200,000
AVC investments	555,453	-	(166,907)	14,181	402,727
	336,106,039	183,524,482	(178,377,542)	(3,778,67)	337,474,307
Cash deposits	10,675,566			(325,146)	3,168,574
Other investment balances	1,112,552			-	2,729,468
	<u>347,894,157</u>			<u>(4,103,818)</u>	<u>343,372,349</u>
Defined Contribution Section					
Pooled investment vehicles	38,825,709	4,953,057	(8,265,449)	4,157,956	39,671,273
AVC investments	265,192	-	-	3,688	268,880
	39,090,901	4,953,057	(8,265,449)	4,161,644	39,940,153
Cash in transit	10,711			-	-
	<u>39,101,612</u>			<u>4,161,644</u>	<u>39,940,153</u>

The sales and purchases included in the Defined Benefit Section related to movements in investments transacted by Schroders IS Limited as part of their fiduciary manager mandate.

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

	Fees	Commission	2024 Total	2023 Total
	£	£	£	£
Pooled investment vehicles	<u>7</u>	<u>3</u>	<u>10</u>	<u>491</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

11. RECONCILIATION OF INVESTMENTS

For the Defined Contribution Section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. For members who invest in the with-profit account the investment provider designates the investment records by member. For members who invest in the managed funds the investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Scheme prior to vesting. Defined Contribution assets are allocated to members and the Trustee as follows:

	2024	2023
	£	£
Members	<u>39,671,273</u>	<u>38,825,709</u>

12. POOLED INVESTMENT VEHICLES

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

	2024	2023
	£	£
Defined Benefit Section		
Equity	66,228,497	56,615,308
Bonds	43,795,890	51,851,954
Alternatives	19,211,998	27,317,955
Property	8,750,992	13,846,569
Commodities	1,486,327	-
Cash	<u>2,621,022</u>	<u>14,595,175</u>
	<u>142,094,726</u>	<u>164,226,961</u>
Defined Contribution Section		
Equity	3,804,211	3,363,042
Bonds	367,769	455,976
Cash	201,412	303,702
Growth funds	33,385,247	32,998,664
Pre-retirement funds	<u>1,912,634</u>	<u>1,704,325</u>
	<u>39,671,273</u>	<u>38,825,709</u>

13. DERIVATIVES

Objectives and policies

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

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

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

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

13. DERIVATIVES (continued)

Objectives and policies (continued)

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

At the year-end the Scheme held the following derivatives:

	2024 Asset £	2024 Liability £	2023 Asset £	2023 Liability £
Swaps	6,113,765	14,692,230	5,652,537	38,912,298
Forward foreign exchange contracts	71,675	107,042	20,927	414,740
Options	28,434,762	18,673,286	14,777,813	8,219,524
	<u>34,620,202</u>	<u>33,472,558</u>	<u>20,451,277</u>	<u>47,546,562</u>
	<u>1,147,644</u>			<u>27,095,285</u>

Included in bonds is collateral of £13,460,244 (2023: £36,025,244) which has been pledged to the counterparties.

At the year-end the Scheme held £13,759,333 (2023: £6,602,213) of collateral belonging to the counterparties. This collateral is not reported within the Scheme's net assets.

Swaps

Nature	Expiration	Notional principal £	Asset £	Liability £
Interest rate swaps (OTC)	2025-2032	80,700,000	386,275	14,093,389
Total asset swaps	2024-2025	28,672,000	747,767	598,841
Inflation swaps (OTC)	2029-2033	31,321,550	<u>4,979,723</u>	<u>-</u>
Total 2024			<u>6,113,765</u>	<u>14,692,230</u>
Total 2023			<u>5,652,537</u>	<u>38,912,298</u>

Forward Foreign Exchange

Contract	Settlement period	Type	Asset £	Liability £
Forward OTC	25.04.2024	USD Net open forwards	17,486	107,018
Forward OTC	25.04.2024	JPY Net open forwards	37,096	-
Forward OTC	25.04.2024	EUR net open forwards	17,093	24
Total 2024			<u>71,675</u>	<u>107,042</u>
Total 2023			<u>20,927</u>	<u>414,740</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

13. DERIVATIVES (continued)

Options

Type	Expiration	Underlying Investment	Number of outstanding contracts	Asset £	Liability £
Call	1/7/24-6/3/25	EURO STOXX 50	8	8,257,844	4,866,200
Put	1/7/24-6/3/25	EURO STOXX 50	4	-	132,032
Put	6/6/24	FTSE 100 Index	1	-	904
Call	6/6/2024	FTSE 100 Index	2	175,194	40,743
Call	31/10/24-4/3/25	NIKKEI	6	759,396	462,400
Put	31/10/24-4/3/25	NIKKEI	3	-	33,048
Call	2/4/24-10/4/25	S&P 500 INDEX	16	19,242,328	12,920,521
Put	2/4/24-10/4/25	S&P 500 INDEX	6	-	217,438
Total 2024				<u>28,434,762</u>	<u>18,673,286</u>
Total 2023				<u>14,777,813</u>	<u>8,219,524</u>

14. INSURANCE POLICIES

2024	2023
£	£

The Scheme held insurance policies at the year-end as follows:

Annuity policies	<u>200,000</u>	<u>100,000</u>
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15. AVC INVESTMENTS

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

	2024	2023
	£	£
Defined Benefit		
Standard Life	43,006	40,611
Clerical Medical	<u>359,721</u>	<u>514,842</u>
	<u>402,727</u>	<u>555,453</u>
Defined Contribution		
Clerical Medical	<u>268,880</u>	<u>265,192</u>

16. OTHER INVESTMENT BALANCES

2024	2023
£	£

Amounts due from broker	1,656,699	722,630
Dividends and interest receivable	<u>1,072,769</u>	<u>389,922</u>
	<u>2,729,468</u>	<u>1,112,552</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

17. FAIR VALUE HIERARCHY

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

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

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

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

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

	At 31 March 2024			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Defined Benefit Section				
Bonds	135,288,714	840,496	-	136,129,210
Pooled investment vehicles	29,406,501	84,429,837	28,258,388	142,094,726
Asset backed funding	-	-	57,500,000	57,500,000
Derivatives	-	-	1,147,644	1,147,644
Insurance policies	-	-	200,000	200,000
AVC investments	-	-	402,727	402,727
Cash	3,168,574	-	-	3,168,574
Other investment balances	<u>2,729,468</u>	<u>-</u>	<u>-</u>	<u>2,729,468</u>
	<u>170,593,257</u>	<u>85,370,333</u>	<u>87,508,759</u>	<u>343,372,349</u>
Defined Contribution Section				
Pooled investment vehicles	-	39,671,273	-	39,671,273
AVC investments	<u>-</u>	<u>-</u>	<u>268,880</u>	<u>268,880</u>
	<u>-</u>	<u>39,671,273</u>	<u>268,880</u>	<u>39,940,153</u>
	At 31 March 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Defined Benefit Section				
Bonds	132,742,727	4,376,183	-	137,118,910
Pooled investment vehicles	11,084,399	114,236,271	38,906,291	164,226,961
Asset backed funding	-	-	61,200,000	61,200,000
Derivatives	-	(27,095,285)	-	(27,095,285)
Insurance policies	-	-	100,000	100,000
AVC investments	-	-	555,453	555,453
Cash	10,675,566	-	-	10,675,566
Other investment balances	<u>1,112,552</u>	<u>-</u>	<u>-</u>	<u>1,112,552</u>
	<u>155,615,244</u>	<u>91,517,169</u>	<u>100,761,744</u>	<u>347,894,157</u>
Defined Contribution Section				
Pooled investment vehicles	-	38,825,709	-	38,825,709
Cash in transit	10,711	-	-	10,711
AVC investments	<u>-</u>	<u>-</u>	<u>265,192</u>	<u>265,192</u>
	<u>10,711</u>	<u>38,825,709</u>	<u>265,192</u>	<u>39,101,612</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES

Investment risks

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

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

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

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies or AVC.

Investments such as these are not considered significant in relation to the overall investments of the Scheme.

Defined Benefit Section

Investment Strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 2.8% per annum (net of fees) in excess of the returns on the Liability Benchmark Portfolio ("LBP").

The objectives of each section are as follows:

- Growth Assets (GA): aims to generate returns of 4.125% in excess of cash per annum net of fees over a three-year period.
- Liability Hedging Assets (LHA): aims to generate returns in line with assets in the LHA per annum net of fees over a three-year period.
- Cash Flow Matching Credit Assets (CFMCA): invested in high quality investment grade credit to efficiently match a proportion of the Scheme's liability cashflows.
- EDOS: the aim of the Equity Derivative Overlay Strategy (EDOS2) is to reduce equity risk by investing in equity options which, when combined with cash or cash equivalent positions, provide a shaped exposure to specified equity indices, for the purposes of efficient portfolio management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Investment Strategy (continued)

The bespoke liability hedging strategy is implemented via holding fixed interest and index-linked gilts, treasury strips and interest rate and inflation swaps (contracts between the Scheme and a counterparty bank) and aims to reduce the Scheme's funding level sensitivity to changes in interest rates and inflation. The collateral for the liability hedge comprised of the fixed interest and index-linked gilts, treasury strips, as well as an amount of liability hedge cash are held in the Liability Hedging Assets.

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedging Assets).

Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee has adopted a 50% Growth Assets/20% Liability Hedging Assets/10% Cash Flow Matching Credit Assets/20% EDOS split (2023: 60% Growth Assets/20% Liability Hedging Assets/10% Cash Flow Matching Credit Assets/10% EDOS split). The Investment Manager has discretion to implement the Trustee's investment strategy in order to meet the objective.

Credit Risk

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

The Scheme holds £136.1m (2023: £137.1m) in directly held bonds, £1.1m (2023: £27.1m) in OTC derivatives and £5.3m (2023: £10.7m) in directly held cash balances. The Scheme also holds £46.4m (2023: £66.4m) bonds and cash through underlying pooled fund investments.

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

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

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

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

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

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

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

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

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

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

Currency risk

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

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

Net of currency hedging, 11.4% of the Scheme's holdings were exposed to overseas currencies as at year-end (2023: 11.4%).

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets subject to interest rate risk comprised of:

£'000	2024	2023
Direct		
Bonds	136,129	137,119
Swaps	(8,578)	(33,260)
Indirect		
Bond PIVs	43,796	51,852
Cash PIVs	2,621	14,595

Please note: clean values have been used where applicable.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) held in pooled vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. At the year-end, the Scheme's exposure to investments subject to other price risk was:

£'000	2024	2023
Direct		
Equity and S&P Options	9,705	6,559
Indirect		
Equity PIVs	67,455	56,615
Property PIVs	8,751	13,847
Commodities PIVs	1,486	-
Alternatives PIVs	17,985	27,318

Please note: clean values have been used where applicable.

(c) Defined Contribution Section

Investment strategy

Credit Risk

All assets of the DC section of the Scheme are subject to direct credit risk in relation to the DC section's investment platform provider, Mobius Life ("Mobius"), through the DC section's holding in unit linked insurance funds provided by Mobius. Direct credit risk relates to insolvency of Mobius, the underlying managers or the custodians used by the underlying managers to hold fund assets.

Mobius is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains capital for its policy holders. In the event of default by Mobius, the Trustee can apply for compensation from the Financial Services Compensation Scheme ("FSCS").

As well as the regulatory environment in which the investment platform operates, direct credit risk is mitigated at the investment platform level by the assets backing the DC section's policy being ring-fenced from those of the investment platform provider.

Direct credit risk in the underlying funds operated by the underlying managers is mitigated by the underlying investments being ring-fenced from those of the underlying manager and through the regulatory environments in which the underlying managers operate. The amount that can be claimed by the investment platform in the event of an insolvency of the underlying manager will depend on the structure of the underlying fund and the contractual terms between the managers and the investment platform. In the event of a custodian becoming insolvent, the level of asset recovery will depend on the custody agreement in place between the underlying manager and the custodian.

The Trustee carries out due diligence checks on the appointment of the investment platform and new investment managers on an ongoing basis, and monitors any changes to the regulatory and operating environments of both. The DC section's investments are all held in pooled investment vehicles. As at the end of the Scheme year, 31 March 2024, the total value of member funds subject to direct credit risk was £39.6m (2023: £38.8m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

The DC section is also subject to indirect credit risk arising on the underlying investments held by the underlying funds. Credit risk is mitigated by utilising investment managers whose mandate includes one or more of the following:

- invest in government bonds where the credit risk is minimal;
- restrict the portion of corporate bonds which can be invested in that are not rated at least investment grade (note "investment grade" is defined as being rated at least BBB- by Standard & Poors or Baa3 by Moody's);
- diversification of the underlying investments.

Currency risk

Some member funds are subject to indirect currency risk because some of the underlying investments are held in overseas markets via pooled investment vehicles or segregated accounts. The Trustee regards currency risk as one which can, in some cases, add value and have delegated management of this risk to their investment advisor.

There is no direct exposure to currency risk. All member and underlying funds are priced in Pound Sterling (GBP) and no foreign denominated assets are held directly.

Interest rate risk

Some member funds are subject to indirect interest rate risk because some of the underlying investments are held in bonds or cash through pooled vehicles or segregated accounts. If interest rates fall, the value of these investments will rise (all else equal) and vice versa.

The DC section manages this risk through the following:

- diversification, where appropriate, to reduce the impact of a change in interest rates; or
- allowing the risk, where appropriate, in recognition that a change in interest rates will likely be correlated with a change in annuity rates and therefore this degree of "matching" is desirable.

No assets are subject to direct interest rate risk as no interest rate sensitive investments are held directly.

Other price risks

All assets are subject to indirect other price risk, including those held in segregated accounts. Other price risk arises in relation to risks not mentioned above, such as those affecting equity markets, property, non-investment grade bonds, etc.

The Trustee manages this risk by making available member funds with a diverse portfolio of investments across various markets, designed to minimise the overall price risk. Members may also invest in funds with a higher degree of overall price risk should they choose.

No assets are subject to direct other price risk as no price sensitive investments are held directly.

Investment objectives

The main objectives of the DC section are to:

- provide a suitable and understandable range of investment options for members, with appropriate investment guidelines, target returns and risk (where risk is measured by fluctuations in returns and the level of any falls in value);
- provide a default option that takes an appropriate level of risk on behalf of the member in pursuit of growth, according to their age and/or planned retirement date; and
- ensure contributions payable by the employers and members are invested in accordance with the options selected by members. In line with these objectives, the Trustee has made available a default lifestyle arrangement and a number of self-directed "Self-Select" options.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

The default arrangement involves switching members across four pre-built blended funds as they approach retirement. Each blend has a different risk and return objective (shown in the table below), thereby taking account of members' changing risk profiles as they approach retirement.

Fund Name	Long Term Return Target	Risk Target
Nuffield DC Long Term Growth	CPI + 5% p.a.	Annualised volatility of less than 75% of global equity volatility
Nuffield DC Stable Growth	CPI + 4% p.a.	Annualised volatility of less than 67% of global equity volatility
Nuffield DC Cautious Growth	CPI + 3% p.a.	Annualised volatility of less than 60% of global equity volatility
Nuffield DC Retirement Focus (Cash)	SONIA	n/a

The Trustee has delegated the day to day decision making and asset allocation of the blended funds to by Schroders Solutions, whilst retaining the decision on the high level risk and return objectives.

The range of Self-Select options aims to enable members to tailor their investment strategy (for those who do not partake in the default solution) by offering a selection of lifestyle funds, blended funds and asset class funds based on their own attitude to risk, term to retirement and investment objective. The range of options aims to provide a sufficiently varied choice whilst limiting the number of funds to reduce the risk of inappropriate choices. The options and their objectives are outlined below:

Self-Select Option	Target Objective	Active / Passive
Nuffield DC Global Equity Fund	FTSE All World 50% Hedged Index	Passive
Nuffield DC Corporate Bond Fund	iBoxx £ Non-Gilts Total Return Index	Passive
Nuffield DC Index Linked Gilt Fund	FTSE Actuaries Government UK Index Linked TR Over 5 Year	Passive
Nuffield DC Long Gilt Fund	FTSE Actuaries Government UK Gilts TR Over 15 Year	Passive
Nuffield DC Ethical Global Equity Fund	FTSE 4Good Global Equity Index GBP	Passive
Nuffield DC Retirement Focus (Annuity)*	75% Annuity Focus (which aims to protect the purchasing power of assets and to minimise conversion risk when purchasing an annuity); 25% Cash (which aims to preserve capital)	Active
Nuffield DC Retirement Focus (Invest Into Retirement) *	75% Cautious Growth (see below); 25% Cash (which aims to preserve capital)	Active
Nuffield DC Cash Fund	SONIA	Active
Nuffield DC Long Term Growth	CPI + 5% p.a.	Active
Nuffield DC Stable Growth	CPI + 4% p.a.	Active
Nuffield DC Cautious Growth	CPI + 3% p.a.	Active

* Fund is available as part of a self-select lifestyle option, which mirrors the default arrangement aside from the Retirement Focus component.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Investment restrictions

The following table shows the asset class restrictions of the default lifestyle funds as well as the asset allocation at the current and prior year-end:

Asset class	Min %	Max %	31 March 2024 %	31 March 2023 %
Nuffield DC Long Term Growth				
Equities	30	90	64.2	64.2
Return seeking credit	0	60	24.8	25.5
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>40</i>	<i>0.0</i>	<i>12.8</i>
Property	0	15	0.0	0.0
Alternatives	0	20	1.3	1.6
Cash & sovereign bonds	0	60	6.7	8.8
Nuffield DC Stable Growth				
Equities	20	70	55.6	48.9
Return seeking credit	0	60	34.1	35.3
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>40</i>	<i>0.0</i>	<i>19.4</i>
Property	0	12.5	0.0	0.0
Alternatives	0	15	2.0	1.2
Cash & sovereign bonds	0	60	8.3	14.7
Nuffield DC Cautious Growth				
Equities	15	55	44.8	38.7
Return seeking credit	0	45	30.7	30.5
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>30</i>	<i>0.0</i>	<i>16.0</i>
Property	0	10	0.0	0.0
Alternatives	0	15	2.0	1.5
Cash & sovereign bonds	0	70	22.5	29.4
Nuffield DC Retirement Focus (Cash)				
Cash	100	100	100.0	100.0

Please note, some numbers may be affected by rounding.

19. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2024		2023	
	£	%	£	%
Asset backed funding	57,500,000	14.7	61,200,000	15.5
BNY Mellon Global equity fund	38,855,446	10.0	38,353,864	9.7
Maturing Buy & Maintain Bond Fund 2021-25	n/a	n/a	20,127,690	5.1
Nuffield DC Cautious Growth Fund	21,881,806	5.6	21,787,727	5.5

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

20. CURRENT ASSETS

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Bank balance	6,603,685	1,364,585	7,968,270
Contributions receivable - employer	-	90,926	90,926
Contributions receivable - members	-	11,483	11,483
	<u>6,603,685</u>	<u>1,466,994</u>	<u>8,070,679</u>
		2023	
Bank balance	8,055,416	1,685,486	9,740,902
Contributions receivable - employer	-	100,865	100,865
Contributions receivable - members	-	11,506	11,506
	<u>8,055,416</u>	<u>1,797,857</u>	<u>9,853,273</u>

Included in the bank balance is £33,062 (2023: £Nil) which is not allocated to members.

All contributions receivable relate to the month of March 2024 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions certified on 27 June 2022.

21. CURRENT LIABILITIES

	Defined Benefit Section £	2024 Defined Contribution Section £	Total £
Accrued expenses	462,048	-	462,048
Unpaid benefits	260,785	319,773	580,558
Tax payable	198,427	-	198,427
Other creditors	-	31,184	31,184
	<u>921,260</u>	<u>350,957</u>	<u>1,272,217</u>
		2023	
Accrued expenses	419,745	-	419,745
Unpaid benefits	67,198	355,534	422,732
Other liabilities	56,095	-	56,095
Tax payable	176,773	-	176,773
Other creditors	-	36,251	36,251
	<u>719,811</u>	<u>391,785</u>	<u>1,111,596</u>

All unpaid benefits in the Defined Contributions Section are allocated to members.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

22. RELATED PARTIES

Administrative and management expenses of £36,300 (2023: £27,700) were paid to the Sponsoring Employer in respect of the Scheme year. These amounts are included within administrative expenses in Note 8 of the financial statements.

Trustee fees and expenses of £169,823 (2023: £106,922) were paid in the year. These amounts are included within administrative expenses in Note 8 of the financial statements.

23. GUARANTEED MINIMUM PENSION

As explained on page 5 of the Trustee's Report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements.

The Trustee is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts and on previous transfer outs. Included in the latest actuarial valuation as at 31 March 2021, there is a provision of 0.4% reserve of the technical provision for GMP equalisation. Based on the funding update as at 31 March 2023 this equates to £1.6m.

24. TAXATION STATUS

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

25. TRANSFER BETWEEN SECTIONS

The transfer between sections relate to cash being transfer to relevant section.

26. ASSET BACKED FUNDING

The Scheme's interest in the Nuffield Health Scottish Limited Partnership (SLP) is stated at the Trustee's estimate of the present value of expected cashflows arising from the SLP. The value as at 31 March 2024 was £57.5m (2023: £61.2m). The discount rate used to determine the present value is based on the risk-free swap yield curve appropriate to the term of each payment at the reporting date adjusted for credit, funding and liquidity risks. The asset backed funding supports an income for the Scheme which commenced at £2 million per annum from 31 March 2016, stepping up to £3.5 million per annum from 31 December 2021 and then to £4.0 million from 31 December 2022. The income is payable quarterly until the year ending 31 March 2046 and continues to be paid so long as the employer is solvent and the Scheme has a deficit on the 2015 Statement of Funding Principles basis updated for market conditions at 31 March each year. The payments are collateralised, by the ABF holding the freehold of the Manor Park hospital. The main reason for the decrease in the value over the year was the increase in the risk-free swap yield curve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

27. CONTINGENT LIABILITY

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying that may retrospectively validate certain rule amendments. In addition, there is a possibility that the case could go to the Supreme Court.

Given these uncertainties it is not currently possible to determine whether any amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements. Further, it is not currently possible to reliably estimate the retrospective possible impact to the defined benefit obligations of the pension scheme if these amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements. Having considered the matter the Trustees have determined that there is no immediate need for action, but the Trustees will monitor developments.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions to the Nuffield Health Pension and Life Assurance Scheme (the 'Scheme') for the Scheme year ended 31 March 2024 which is set out in the Trustee's report on page 41.

In our opinion contributions for the Scheme year ended 31 March 2024 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 Contribution certified by the Scheme Actuary on 22 June 2022 and the Deed of Variation dated 30 June 2020.

Basis of opinion

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

Responsibilities of the Trustee

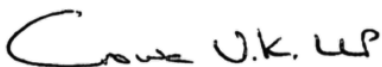
As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme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

Auditor's responsibilities for the statement about contributions

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

Use of our statement

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



Crowe U.K. LLP
London
Statutory Auditor

Date: 13 September 2024

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

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

	£
Employer normal contributions	1,174,541
Employer deficit funding contributions	4,000,000
Employee normal contributions	<u>142,068</u>
Total contributions paid	<u>5,316,609</u>
Reconciliation to the financial statements:	
Contributions paid under Schedule of Contributions	5,316,609
Employer augmentations contributions	10,500
Members' Additional Voluntary Contributions	<u>51,330</u>
Contributions paid under the Schedule of Contributions	<u><u>5,378,439</u></u>

This summary was approved by the Trustee on **13 September 2024**

Signed on behalf of the Trustee

For and on behalf of the Trustee



.....

Trustee

GOVERNANCE STATEMENT

Nuffield Health Pension & Life Assurance Scheme

Chair's Statement

1 April 2023 to 31 March 2024

Contents

01 Introduction	4
Governance and Queries	4
02 Default Investment Strategy	5
02.01 The default investment option	5
02.02 Reviewing the default investment arrangement	5
03 Net returns, charges and transaction costs	7
03.01 Net Returns	7
03.02 Fund Performance	7
03.03 Self-select Funds	7
03.04 Investment Manager Charges/Asset allocation	8
04 Core financial transactions	10
04.01 Assessing Core Transactions	10
04.02 Administration	10
05 Value for Members	11
05.01 Assessment of Value	11
06 Trustee Knowledge and understanding	13
06.01 Knowledge and understanding of the Trustee	13
06.02 Trustee Training	13
06.03 Conclusion	13
07 Conclusion	14
Appendix A Projections	15
Appendix B Statement of Investment Principles	20

01 Introduction

£39.6m

Total defined contribution funds in the Scheme.

This is the Chair's Statement for the Nuffield Health Pension & Life Assurance Scheme covering the period 1 April 2023 to 31 March 2024.

As the Chair of the Trustee, I provide you with a yearly Statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a hybrid pension arrangement, and the Final Salary Section closed on 31 May 2007 and a new Money Purchase Section was opened on 1 June 2007 for the members who were active at that date. The Scheme is not used as a Qualifying Scheme for auto enrolment purposes.

The Money Purchase funds now held in the Scheme relate to benefits in respect of Money Purchase benefits and Additional Voluntary Contributions ("AVCs"). The total value of these funds as at 31 March 2024 is £39,602,986

This statement covers the following:

- Net returns, asset allocation, member borne charges and transaction costs;
- Processing core financial transactions;
- Value for members; and
- Trustee knowledge and understanding

Governance and Queries

The Trustee Board is committed to having high governance standards and meets regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

I welcome this opportunity to explain what the Trustee does to help ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact the Trustee C/O XPS Administration, 1 Colemore Row, Birmingham, B3 2BJ.

I, Mike Weston, am signing this Statement as the Chair of the Trustee of the Scheme.

02 Default Investment Strategy

Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Scheme's investment strategy, can be found in Appendix B

02.01 The default investment option

The Trustee has established a default arrangement known as the 'Nuffield Lifestyle Default Option' for members who do not choose to invest their DC fund in a specific way. The funds within the default arrangement are chosen to reduce the impact of large investment falls or market crashes, aiming to provide a smoother investment experience, while at the same time aiming to grow at a rate higher than inflation over the longer term.

The default arrangement invests in a pre-determined investment strategy, which gradually moves member assets across four blended funds (the Long-Term Growth Fund, Stable Growth Fund, Cautious Growth Fund and Retirement Focus (Cash) Fund) over the time, to the member's chosen retirement date. As the member's retirement date approaches, the asset mix aims to protect the value of the member's retirement pot to a greater extent.

As at 31 March 2024, by the time members have reached their chosen retirement date they will be fully invested in the Retirement Focus (Cash) Fund. This Fund invests 100% in a cash fund and is focused on capital preservation suited to those wishing to take a lump-sum upon retirement.

02.02 Reviewing the default investment arrangement

The Trustee is expected to review the investment strategy and objectives of the default investment option at least every three years. The Trustee regularly monitors the investment performance and considers how members are accessing their benefits, when assessing the default investment option.

The Trustee receives quarterly information on the performance of the funds underlying the default arrangement and the self-select options, from the investment manager. This is reviewed at each Trustee meeting, and the Trustee has delegated the day-to-day decision making to its fiduciary manager, Schroders.

The last formal investment strategy review (including the default investment option) was concluded on 23rd August 2023. At the Trustee's meeting the Trustee was provided with a report detailing a review of the default arrangement and wider investment range by Schroders, the Scheme's Investment Adviser. The review considered the needs of the Scheme membership, aiming to ensure that the arrangement remained appropriate, including looking at where members have chosen to invest. The characteristics of members who use the Nuffield Lifestyle Default Option, the range and value of the funds on offer to members was also considered.

The following changes to the Default Option were proposed in the strategy review and accepted by the Trustee:

- To increase the risk profile of the Default Option, mainly to be achieved through increasing exposure to equities.
- To reduce sensitivity of the Default Option to interest rate changes for members closer to retirement.
- To Replace the existing Ethical fund with the BlackRock ACS World ESG Equity Tracker.
- To introduce an Islamic equity fund to the self-select range.

The confirmed change to increase the risk profile was suggested as the forward-looking investment returns expectations for the Default Option had not been as strong as they had

Default Investment Strategy Continued

been historically. Increasing equity exposure means inflation-linked targets remain achievable. This change was made with younger members in mind, who may have a higher appetite for risk.

The agreement to reduce the sensitivity to interest rate changes was made to account for an expectation of higher levels of volatility in interest rates in the future, which would affect members who are closer to retirement.

All of these changes are currently in the process of being implemented and will be reported on fully in the next annual chair statement.

03 Net returns, charges and transaction costs

03.01 Net Returns

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement(s) and for each fund in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing. The Trustee has taken account of statutory guidance when preparing this section of the statement.

03.02 Fund Performance

Schroders provides the Trustee with quarterly investment performance information to monitor the investments, which it reviews and challenges in Trustee meetings. The Trustee raises performance questions directly with Schroders, the appointed Investment Adviser.

This table shows how the Nuffield Lifestyle Default Option has performed for members over the last one and five years (annualised) to 31 March 2024:

	5 years (2019-2024)	1 year (2024)
Lifestyle Default Option	%pa	%
Age 25	6.6	15.9
Age 45	5.6	13.3
Age 55	4.4	11.4

Source: Schroders Governance Statement 31 March 2024. Figures are net of fees (Ongoing Charges Figure and Transaction Costs).

03.03 Self-select Funds

The fund performance for the range of Self-select funds is shown below for the past 5 years (annualised) and the last Scheme Year to 31 March 2024:

	5 years (2019-2024)	1 year (2024)
Self-Select Funds	%pa	%
Nuffield Long Term Growth	6.60	15.90
Nuffield Stable Growth	5.60	13.30
Nuffield Cautious Growth	4.40	5.30
Nuffield Global Equity	12.30	25.10
Nuffield Ethical Global Equity	13.60	23.30
Nuffield Corporate Bond Fund	-0.60	6.70
Nuffield Long Gilt Fund	-9.00	-6.10
Nuffield Index-Linked Gilt Fund	-7.00	-8.00
Nuffield Cash Fund	1.40	4.90
AVC Funds		
Clerical Medical With Profits**	4.00	8.00
Clerical Medical Adventurous Pension	6.36	14.30
Clerical Medical Balanced Pension	3.37	8.60
Clerical Medical Cash	1.07	4.10
Clerical Medical Cautious	1.70	5.30

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose

Net Returns, charges and transaction costs Continued

Clerical Medical European	8.86	14.00
Clerical Medical Halifax	0.00	0.00
Clerical Medical Japanese	8.59	27.10
Clerical Medical North American*	14.41	25.70
Clerical Medical Non-Equity	-0.02	4.30
Clerical Medical Retirement Protection*	-10.13	1.70
Clerical Medical UK Growth*	3.49	16.80
Clerical Medical UK Property Pen*	0.94	3.50

Source: Schroders Governance Statement 31 March 2024. Figures are net of fees (Ongoing Charges Figure and Transaction Costs) / Clerical Medical at 31 March 2024. *Information as at 31/06/2024. **Information as at 31/12/2023 (we have requested more up to date information from the provider).

03.04 Investment Manager Charges

The Trustee has selected a range of funds which they believe to be appropriate for members of the Scheme. The funds are managed by Schroders and held by Mobius Life ("Mobius"), the Scheme's investment platform provider.

I am required to explain the charges and transaction costs (i.e. the cost of buying and selling investments in the DC elements of the Scheme) which are paid by members rather than the Nuffield Health (UK) Limited ("the Company"). All administration charges (except AVCs), for example the costs of XPS, other external advisers and general Trustee costs are met through expense contributions paid by the Company. The Scheme's members meet costs relating to investment management which are payable in accordance with investment management agreements entered into by the Trustee after receiving investment advice. The charges differ between the investment funds that are available.

Members may select their own investment strategy, investing in any of these funds in whatever proportions they choose. They also have the option of selecting the Nuffield Lifestyle Default Option.

The charges and transaction costs across all funds available to members during the Scheme year were:

Fund Name	Total Expense Ratio	Transaction Costs
	%	%
Default Investment Option		
Nuffield Lifestyle Default Option	0.41-0.64	0.00-0.16
Self-select Funds		
Nuffield Global Equity Fund	0.38	0.09
Nuffield Ethical Global Equity Fund	0.60	0.00
Nuffield Corporate Bond Fund	0.34	0.00
Nuffield Long Gilt Fund	0.34	0.00
Nuffield Index-Linked Gilt Fund	0.33	0.04
Nuffield Cash Fund	0.40	0.03

Nuffield Retirement Focus Fund (Annuity)	0.39	0.00
Nuffield Retirement Focus Fund (Investment into Retirement)	0.57	0.07
Clerical Medical With Profits	1.00	0.25
Clerical Medical Adventurous Pension	0.70	0.20
Clerical Medical Balanced Pension	0.70	0.25
Clerical Medical Cash	0.70	0.01
Clerical Medical Cautious	0.70	0.24
Clerical Medical European	0.70	0.10
Clerical Medical Halifax	0.70	0.00
Clerical Medical Japanese	0.70	0.00
Clerical Medical North American	0.70	0.00
Clerical Medical Non-Equity	0.70	0.12
Clerical Medical Retirement Protection	0.70	0.11
Clerical Medical UK Growth	0.70	0.27
Clerical Medical UK Property Pen	0.70	0.00

Source: Schroders Governance Statement 31 March 2024 / Clerical Medical 31 March 2024.

The Trustee compares the performance and charges of the DC Section on quarterly basis to make sure they remain competitive. The Trustee is satisfied with these.

03.05 Asset allocation disclosure requirements

The new 2023 regulations require trustees of relevant occupational pension schemes with a scheme year end of 1 October 2023 onwards to disclose and explain the percentage of assets allocated in the default arrangement(s) to specified asset classes.

The regulator believes that publication of asset allocation data will be an important step towards transparency, standardisation and comparability across the pensions market and that it is important that members have access to all relevant information surrounding the investments being made using their savings and the outcomes these investments could have on their future retirement. The Trustee has taken regard to statutory guidance in preparing this section of the statement.

XPS has received a report on how the Scheme's default investment strategies are invested in light of these new regulations assuming retirement age of 65, and have provided a breakdown of the default strategy's asset allocation as at 31 March 2024.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

Asset Class (%)	25-year-old member	45-year-old member	55-year-old member	65-year-old member (1 day prior to State Pension Age)
Cash	1.7%	2.3%	1.5%	100.0%
Corporate bonds, UK government bonds and overseas government bonds.	29.8%	41.5%	51.7%	0.0%
Listed equities	67.2%	54.2%	44.8%	0.0%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Other property/real estate	0.0%	0.0%	0.0%	0.0%
Other private debt/credit	0.0%	0.0%	0.0%	0.0%
Any other assets	1.4%	2.0%	2.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Source: Source: Schroders Governance Statement 31 March 2024

04 Core financial transactions

04.01 Assessing Core Transactions

During the year, the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- > having an agreement in place with XPS Administration (as Scheme administrator), committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions which are normally completed with 15 working days;
- > having XPS Administration report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and
- > having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustee takes appropriate steps to resolve and take action as required. I can confirm there was a material issue in the Statement period which consisted of two months' worth of contributions (March & April 2024) being invested after the statutory deadlines. The administrator took steps to rectify the error and made good any investment losses that may have impacted members. Additionally, the administrator is planning on consolidating its core DC services to a specialist DC administration team within XPS, in order to reduce the likelihood of further errors occurring.

An average of 92.41% of all cases completed were done so within the service level agreed, this is a slight increase in performance compared to the previous reporting period. Controls around administration and the processing of transactions are documented in the risk register which is regularly maintained and reviewed in order to minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

- > **The investment of DC contributions** - The Scheme Administrator monitors the payment of contributions to the Scheme by the Company, ensuring that these are paid within statutory timescales. Any late payment outside these timescales is reported directly to the Trustees and appropriate action taken. The Trustees monitor the service standards of the Administrator;
- > **The transfer of assets relating to members into and out of the DC or AVC arrangements** - The Administrator maintains and reconciles comprehensive records of individual member's contributions and fund values. Contributions are invested within 5 working days of receipt. Any investments withdrawn or transferred to another scheme are processed within 12 working days following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam;
- > **Monitoring of bank accounts** - a robust review process for investment and banking transactions with agreed authorisation and checking levels is in place;
- > **Payments to members** - all payments out of the Scheme in respect of members' benefits are made in line with standard checks and agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Scheme's rules, legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for incidents of pension liberation fraud.

Noting the requirement for accurate member data to process payments correctly, the Trustee is taking steps to continually review and correct any problems with the member data which is held by the Scheme administrator.

04.02 Administration

The Trustee closely monitors the administration function to ensure members get the best service possible in order to provide good value for members. The Trustee regularly reviews service providers and, as part of this review, the Trustee carries out regular meetings with the current providers to assess the quality and levels of service to ensure that the financial transactions which are important to members are dealt with promptly and accurately.

Over the period of review the Trustee considers the administration to have broadly contributed to the good value provided by the Scheme. The Trustees think that the core financial transactions were processed promptly and accurately during the scheme year.

05 Value for Members

05.01 Assessment of Value

As the Scheme has assets above £100m (Including associated Defined Benefits assets), the Trustee is not required to carry out a detailed 'Value for Members' (VFM) assessment which considers the latest guidance from the Pensions Regulator and Department for Work & Pensions.

However, the Trustee considers the member-borne costs and charges and the net returns for the Scheme's investment options (net of all costs and charges) on a quarterly basis. No concerns were raised by the Trustee about the charges and net returns during the statement period. Net investment returns are broadly in-line with benchmarks and expectations for funds of this type. Transaction costs are also broadly in-line with previous years, and expectations for funds of this type.

The Trustee has also carried out a Value for Members assessment for the Plan in October 2022. This concluded that at the time the Scheme represented good Value for Members for the following reasons:

- > the governance of the Scheme (which include the 'Trustees' knowledge and understanding', along with the general oversight and governance) are provided to a level which the Trustee considers as suitable and having provided good value. The Trustee considers the performance of the money purchase investments quarterly and discusses this in a meeting with the Investment Adviser, Schroders. Furthermore, the Trustee includes investment governance matters (e.g. SIP reviews / CMA reviews / Fiduciary Manager reviews) within their Annual Business Planner;
- > the Nuffield Lifestyle Default Option and AVC investment strategy continues to take account of the membership profile and aims to grow member pots while managing risk. The Trustee has agreed to the default option recommendations provided by the Investment Adviser, Schroders as part of the most recent strategy review and these changes are in the process of being implemented;
- > the self-select investment options available give members access to a variety of asset classes in which to invest and which the Trustee believes add to the value provided to members of the Scheme. The Trustee has agreed to the self-select fund recommendations provided by the Investment Adviser, Schroders as part of the most recent strategy review and these changes are in the process of being implemented;
- > the range of benefit options available to members at retirement are in-line with the member profile or other arrangements of this type, and members may access other options via transfer to other arrangements;

Value for Members continued

> annual and ad hoc member communications (via for example benefit statements, an annual newsletter and a member online portal) provide members with clear and coherent information on their benefits and the options available to them;

> the Trustee keeps its providers' service levels under review by checking performance against agreed 'Service Level Agreements'. For example, meetings are held with XPS to review their performance as third-party administrator on a quarterly basis to ensure that administrative performance meets the standard set by the Trustee. Administration performance has not been in-line with the Trustee's expectations. The Trustee is aware of this and is actively engaging with the Administrator to rectify these matters.

Assessment of value for members is an ongoing process and the Trustee will continue to undertake a review periodically to ensure the Plan continues to offer value, and that any changes in legislation, market conditions or member views will be reflected.

06 Trustee Knowledge and understanding

06.01 Knowledge and understanding of the Trustee

The Trustee is satisfied that it has complied with the knowledge and understanding requirements in section 248 of the Pensions Act 2004.

The Trustee brought a broad range of skills and experience in finance, communications, payroll administration, and organisational development to their roles and are fully conversant with the Scheme's documentation including the Trust Deed and Rules, Statement of Investment Principles and have a working knowledge of all documents setting out the Trustee's current policies.

The Trustee includes a Professional Independent Trustee with professional knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. In addition, the overall knowledge and understanding is boosted and evidenced by the Trustee's interaction with its advisers as shown in the Trustee meeting minutes, and the governance framework established by the Trustee to review the performance of the Scheme. The Trustee's therefore has sufficient knowledge and understanding of the law relating to pensions and trusts, the relevant principles relating to the funding and investment of occupational schemes, and that combined their knowledge and understanding, together with available advice, enables them to properly exercise their functions.

The Trustee has access to all key Scheme documentation at all times via a secure online portal.

The Trustee has exercised its discretions and powers in line with the Trust Deed and Rules, current legislation and regulation and where required legal advice has been taken, demonstrating its working knowledge of the Scheme's Trust Deed and Rules.

06.02 Trustee Training

New Trustees are expected to carry out the Pensions Regulator (TPR) toolkit modules training and be fully conversant with the Scheme's documentation within 6 months.

A log of Trustee's participation in training is maintained by Squire Patton Boggs (Scheme Lawyers), and training needs are regularly identified based on forthcoming projects and gaps in Trustee knowledge. The Trustee's legal, actuarial and investment advisers provide in-meeting training on new legislation, pension and market developments and literature published by TPR relating to its Codes of Practice.

06.03 Conclusion

As a result of the training activities which have been completed by the Trustee and taking into account the professional advice available to the Trustee, I am confident that the combined knowledge and understanding of the Trustee enable it to exercise properly our functions as the Trustee of the Scheme.

07 Conclusion

The annual production of this Statement provides members with a narrative of how the Trustee looks after members' interests.

The Trustee will continue to monitor these key areas and report to members both in this annual Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, the Trustee is pleased to be able to submit this report in compliance with the Chair's Statement requirements, in the belief that in the reporting period the Scheme was operated and governed appropriately and provides good value for members.

Signature

Mike Weston

**Date**

13/09/2024

Name

Mike Weston
(Pi Consulting (Trustee Services) Limited)

Qualification

Chair of Nuffield Health Pension
Trustees Limited

Appendix A Projections

Taken from the Schroders paper "Defined Contribution (DC) Section Governance Statement" dated 31 March 2024.

Below is an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights. The example outlines the effects of fund charges (the TERs above) and the transaction costs shown above across the DC Section's fund range.

Projected pension pot, in today's terms								
Years	Default Lifestyle		Nuffield Long Term Growth Fund		Nuffield Stable Growth Fund		Nuffield Cautious Growth Fund	
	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs
1	£13,300	£13,200	£13,300	£13,200	£13,300	£13,200	£13,300	£13,200
3	£19,400	£19,100	£19,400	£19,100	£19,400	£19,100	£19,400	£19,100
5	£25,800	£25,200	£25,800	£25,200	£25,800	£25,100	£25,800	£25,200
10	£42,500	£40,700	£42,500	£40,700	£42,500	£40,600	£42,500	£40,700
15	£60,400	£56,700	£60,400	£56,800	£60,400	£56,600	£60,400	£56,900
20	£79,500	£73,400	£79,500	£73,600	£79,500	£73,200	£79,500	£73,700
25	£100,100	£90,600	£100,100	£91,000	£100,100	£90,500	£100,100	£91,200
30	£122,000	£108,800	£122,000	£109,200	£122,000	£108,400	£122,000	£109,400
35	£145,500	£127,800	£145,500	£128,100	£145,500	£127,100	£145,500	£128,500
40	£165,600	£144,000	£170,500	£147,900	£170,500	£146,600	£170,500	£148,300

Projections continued

Projected pension pot, in today's terms

Years	Nuffield Retirement Focus Fund (Cash)		Nuffield Global Equity Fund		Nuffield Ethical Global Equity Fund		Nuffield Corporate Bond Fund	
	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs
1	£13,000	£13,000	£13,500	£13,500	£13,500	£13,400	£13,300	£13,200
3	£18,800	£18,400	£20,300	£20,100	£20,300	£20,100	£19,400	£19,300
5	£24,100	£23,800	£27,600	£27,200	£27,600	£27,100	£25,800	£25,500
10	£37,700	£36,800	£48,000	£46,700	£48,000	£46,200	£42,500	£41,600
15	£51,100	£49,500	£71,800	£69,100	£71,800	£68,100	£60,400	£58,600
20	£64,300	£61,800	£99,500	£94,700	£99,500	£92,900	£79,500	£76,700
25	£77,400	£73,800	£131,700	£123,900	£131,700	£121,000	£100,100	£95,700
30	£90,500	£85,700	£169,000	£157,100	£169,000	£152,800	£122,000	£115,800
35	£103,600	£97,400	£212,100	£194,800	£212,100	£188,600	£145,500	£137,000
40	£116,700	£109,000	£261,800	£237,500	£261,800	£228,900	£170,500	£159,300

Projected pension pot, in today's terms

Years	Nuffield Long Gilt Fund		Nuffield Index-Linked Gilt Fund		Nuffield Cash Fund		Nuffield Retirement Focus (Annuity)	
	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs
1	£13,800	£13,700	£13,800	£13,700	£13,000	£13,000	£13,300	£13,200
3	£21,300	£21,100	£21,300	£21,100	£18,600	£18,400	£19,400	£19,300
5	£29,600	£29,300	£29,600	£29,200	£24,100	£23,700	£25,800	£25,400
10	£54,300	£53,300	£54,300	£52,900	£37,700	£36,800	£42,500	£41,400
15	£85,800	£83,600	£85,800	£82,700	£51,100	£49,400	£60,400	£58,200
20	£125,800	£121,600	£125,800	£119,900	£64,300	£61,600	£79,500	£75,900
25	£176,400	£169,100	£176,400	£166,100	£77,400	£73,600	£100,100	£94,600
30	£240,100	£228,100	£240,100	£223,300	£90,500	£85,400	£122,000	£114,200
35	£320,100	£301,400	£320,100	£293,900	£103,600	£97,000	£145,500	£134,900
40	£420,400	£392,200	£420,400	£380,900	£116,700	£108,500	£170,500	£156,700

Projections continued

Projected pension pot, in today's terms		
Nuffield Retirement Focus (Invest into Retirement)		
Years	Gross of all charges	Net of TER and transaction costs
1	£13,300	£13,200
3	£19,400	£19,200
5	£25,800	£25,200
10	£42,500	£40,900
15	£60,400	£57,200
20	£79,500	£74,300
25	£100,100	£92,100
30	£122,000	£110,600
35	£145,500	£130,100
40	£170,500	£150,400

Projections continued

Notes:

- Values shown are estimates and are not guaranteed;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Transaction costs used are an average of previous 6 years' transaction costs (with exception of the Retirement Focus Annuity, Cash and Invest into Retirement funds, as only 5 year data is available) having regard to the Department for Work and Pensions' guidance noted in the bullet above (and any future guidance);
- Assumes inflation of 2.5% per annum;
- Assumes a starting pot size of £10,000;
- Assumes a member is aged 25 years old now and stops contributing at age 65;
- Assumes charges in future years are equal to charges today;
- Assumes an overall contribution rate of 12% of annual salary at all ages, the £ amount of which increases in line with assumed salary inflation;
- Assumes a member salary of £25,000 in Year 0, increasing at 1% per annum above inflation;

The accumulation rates used, as set out below, are calculated in line with Actuarial Standard Technical Memorandum (AS TM1 v5.0), the same document which governs the calculation of projections on annual benefit statements; these assumptions are in line with the most recent benefit statements. The accumulation rates assumed for the projections are as follows:

	Fund	Real accumulation rate per annum (gross of charges)
	Nuffield Long Term Growth	0.5%
Default Lifestyle Funds	Nuffield Stable Growth	0.5%
	Nuffield Cautious Growth	0.5%
	Nuffield Retirement Focus (Default)	-1.5%
	Nuffield Global Equity	2.5%
	Nuffield Ethical Global Equity	2.5%
	Nuffield Corporate Bond Fund	0.5%
Self-Select Funds	Nuffield Long Gilt Fund	4.5%
	Nuffield Index-Linked Gilt Fund	4.5%
	Nuffield Cash Fund	-1.5%
	Nuffield Retirement Focus (Annuity)	0.5%
	Nuffield Retirement Focus (Invest into Retirement)	0.5%

The above has been prepared with due regard to the Department for Work and Pensions' guidance ("Reporting of costs, charges and other information: guidance for trustees and managers of occupational schemes – effective from 21 October 2022"), published in February 2018 and most recently updated in October 2022.

Appendix B

Statement of Investment Principles

**Nuffield Health Pension and Life Assurance Scheme
DC Section**

Statement of Investment Principles

September 2020

Contents

1. Introduction	4
2. DC Section Governance	5
3. Defined Contribution Investment Strategy	6
4. Default Investment Strategy	8
5. Strategy Implementation	9
6. Monitoring	10
7. Fees	11
8. Risks	12
9. Other Considerations	14
Appendix A - Responsibilities	16

1 Introduction

This document constitutes the Statement of Investment Principles (the 'SIP') required under Section 35 of the Pensions Act 1995 for the DC Section of the Nuffield Health Pension and Life Assurance Scheme (the 'DC Section'). It describes the investment policy being pursued for the DC Section by the Directors of Nuffield Health Pension Trustees Limited (the 'Trustee') and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the '2001 Myners Principles' and subsequent revisions). This SIP also reflects the requirements of Occupational Pension Plans (Investment) Regulations 2005 and 2015 and reflects the Pensions Regulator's Code of Practice in relation to governance of DC pension schemes issued in July 2016.

The Investment Adviser is River and Mercantile (R&M) Investments Limited and the Legal Adviser is Squire Patton Boggs, collectively termed the 'Advisers'.

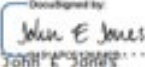
The Trustee confirms that, before preparing this SIP, it has consulted with Nuffield Health (the 'Sponsoring Employer') and taken appropriate advice from their Investment Adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the DC Section requires.

The Trustee is responsible for the investment of the DC Section's assets and to arrange administration of the DC Section. The Trustee is also responsible for the strategic decisions regarding the investment of the DC Section's assets, but the day-to-day management has been delegated to the Platform Manager (who provides the infrastructure for members to make investments - the 'Platform') and the underlying Investment Managers. Where required to make an investment decision, the Trustee always receives advice from the relevant Advisers first and it believes that this ensures that they are appropriately familiar with the issues concerned. The Trustee has delegated day-to-day investment decision making to R&M (the 'Fiduciary Manager').

In accordance with the Financial Services & Markets Act 2000 and Section 34(2) of the Pensions Act 1995, the Trustee sets general investment policy, but has delegated the day-to-day investment of the DC Section's assets to professional fund managers (the 'Underlying Managers'). The Underlying Managers are authorised under the Financial Services & Markets Act 2000, and provide the expertise necessary to manage the investments of the DC Section competently and will comply with the requirements of Section 36 of the Pensions Act 1995. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the DC Section.

1.1 Declaration

The Trustee acknowledges that it is their responsibility, with guidance from the Advisers, to ensure the assets of the DC Section are invested in accordance with these Principles.

Designated by

Signed John E Jones Date 18 September 2020
JOHN E JONES

For and on behalf of the Directors of Nuffield Health Pension Trustees Limited

2 Governance

The Trustee is responsible for the governance and investment of the DC Section's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the DC Section as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Underlying Managers, the Fiduciary Manager, the Platform Manager or the relevant Advisers as appropriate.

The Trustee acknowledges that it is responsible for any decisions or actions taken by any sub-committee.

The Trustees maintain a Statement of Investment Arrangements ("SIA") which sets out the specifics of investment implementation, including the responsibilities of each of the parties involved in the DC Section's governance. This document is referred to later in this SIP.

3 Investment Strategy

3.1 General Policy

The Trustee makes available an appropriate range of investment options for members, which aim to maximise returns without taking inappropriate levels of risk. Investment return is one of the key elements that determine benefits payable to members in retirement, alongside others set out below:

- The level of contributions made by or in respect of the member
- The effect of charges paid by members
- the way in which income is drawn from the accumulated savings
- the cost of purchasing a secured income at the time (e.g. an annuity), if selected by the member

3.2 Investment objectives

In setting investment objectives, the Trustee recognises that members will have differing investment needs and tolerances for risk, which may change over time. The Trustee also takes into account the expected level of investment expertise among members, the likelihood of members seeking professional advice in respect of their investment choices and the resulting risk of inappropriate decision-making by members.

The Trustee's objectives are therefore to:

- provide a suitable and understandable range of investment options for members, with appropriate investment guidelines, target returns and risk (where risk is measured by fluctuations in returns and the level of any falls in value);
- provide a default option that takes an appropriate level of risk on behalf of the member in pursuit of growth, according to their age and/or planned retirement date; and
- ensure contributions payable by the employers and members are invested in accordance with the options selected by members.

The default option design is based on the expectation that members will focus on capital preservation with their DC savings.

3.3 Investment Strategy

Having considered advice from the Advisers, and also having due regard for the objectives and the members of the DC Section, the Trustee has agreed to offer a default lifestyling arrangement and a range of self-directed 'Self-Select' options. Members can choose to invest their contributions in one or more of these investment options, detailed in the SIA.

The default arrangement involves switching members across blended funds as they approach retirement. Each blend has a different risk and return objective, thereby taking account of members' changing risk profiles as they approach retirement. The blended funds are intended to:

- i. Take account of market and industry developments
- ii. Increase the level of active asset allocation to attempt to deliver more attractive returns
- iii. Create a more stable journey for members

The Trustee has delegated the day-to-day decision making and asset allocation of the blended funds to the Fiduciary Manager, whilst retaining the decision on the high level risk and return objectives.

The range of Self-Select options aims to enable members to tailor their investment strategy (for those who do not partake in the default solution). The range of options are varied enough to offer sufficient choice but the number of funds is limited to reduce the risk of inappropriate choices. Exposure to a range of asset classes, including blended funds underlying the default arrangement and funds screening investments based upon social, environmental and ethical funds are available. Further details of the fund range are set out in the SIA.

3.3.1 Diversification

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustee monitors the strategy regularly to ensure that it is comfortable with the choice of funds offered to members.

3.3.2 Suitability

The Trustee has taken advice from the Investment Adviser to ensure that the range of investment options offered to members is suitable. Members are responsible for choosing which of the Self-Select funds is most appropriate or choosing to rely on the default strategy for the investment of their own and their employer's contributions, based on their own individual circumstances.

3.3.3 Active and Passive Management

The Trustee takes advice from the Advisers on the choice of whether to offer active and/or passive fund options, which is in part determined by the range of Investment Managers offered by the Platform Manager. These managers are selected by the Fiduciary Manager.

3.3.4 Review

The Trustee will review, in conjunction with the Investment Advisers, any investment option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk which may be thought to be unreasonable in the context of the DC Section's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

4 Default Investment Strategy

The Trustee has made available to members a default strategy, known as the 'Nuffield Lifestyle Default Option'.

4.1 Aims and Objectives of the default strategy

The Trustee's aims and objectives in relation to the default strategy are to support members' investment needs where members either choose the default option or do not choose any option. Broader aims and objectives in relation to the default strategy are set out in Section 3, titled 'Investment Objectives'.

4.2 Trustee's Policies in relation to the default strategy

- i. **The kinds of investment to be held**
The kinds of investments to be held within the default strategy are shown in the SIA.
- ii. **The balance between different kinds of investments**
The balance between different investments within the default strategy is shown in Appendices B and C.
- iii. **Risks (including the ways in which risks are to be measured and managed)**
Risks applicable to the DC Section as a whole are shown in Section 8, titled 'Risks'. All of the risks shown, including how they are measured and managed, are relevant to the default strategy.
- iv. **Expected return on investments**
Target objectives for each fund used within the default strategy are shown in the SIA.
- v. **Realisation of investments**
Funds used within the default strategy are unitised, pooled funds which are dealt daily.
- vi. **Financially material investment considerations and non-financial matters**
The extent to which the Trustee considers financially material considerations and non-financial matters, including, but not limited to, social, environmental or ethical issues is shown in Section 9, titled 'Other Considerations'.
- vii. **Corporate governance and stewardship policy**
The Trustee's policy in respect of these considerations is shown in Section 9, titled 'Other Considerations'.

4.3 Best interests of members and beneficiaries

Prior to offering the current default strategy, the Trustee carried out a comprehensive review in conjunction with the Investment Advisers, focussing on how best to deliver a good outcome for as many members as possible.

As a result of the review, the Trustee offers a default option that takes account of members' need for return within an acceptable level of risk, and how this need – in particular the tolerance for risk – is likely to change with age. The default option is subject to regular review and ongoing governance in conjunction with the advisers.

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6 Monitoring

6.1 Investment Managers

The Trustee, or Advisers on behalf of the Trustee, will monitor the performance of the default strategy and self-select funds against the agreed performance objectives.

The Trustee will regularly review the activities of the Fiduciary Manager to satisfy themselves that the Fiduciary Manager continues to carry out their work competently and have the appropriate knowledge and experience to provide fiduciary management services to the DC Section.

As part of this review, the Trustee will consider whether or not the Fiduciary Manager:

- Is carrying out their work competently. The Trustee will evaluate the Fiduciary Manager based on, among other things:
 - The default strategy and self-select fund performance versus their respective benchmarks
 - The level of risk within the portfolios given specified risk tolerances
 - Whether it has regard to the suitability of each investment and each category of investment.
 - Whether it has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the Fiduciary Manager, the Trustee will ask the Fiduciary Manager to take steps to rectify the situation. If the Fiduciary Manager still does not meet the Trustee's requirements, the Trustee will remove the Fiduciary Manager.

6.2 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

6.3 Statement of Investment Principles

The Trustee will review this SIP triennially, or following any significant changes to the investment strategy, and modify it with consultation from the Advisers and the Principal Employer if deemed appropriate. There will be no obligation to change this SIP, the Fiduciary Manager, Platform Manager or Adviser as part of such a review.

6.4 Trustee Recordkeeping

The Trustee maintains a record of all investment related decisions that have been taken, together with the rationale in each case.

7 Fees

7.1 Investment Managers

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Details of the fund charges are set out in the SIA.

7.2 Platform Manager

The Platform Manager charges fees as a proportion of the size of assets invested. The charge is deducted from assets.

7.3 Advisers

Fees paid to the Advisers are based as a basis point charge based on the size of the DC Section's assets or on fixed fees agreed in advance for specifically defined projects.

7.4 Custodian

There is no custodian appointed directly by the Trustee.

7.5 Value for Members

The Trustee reviews all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for members is present. The Trustee considers, among other items, the absolute level of charges, the competitiveness of the DC Section's charges relative to the marketplace and the levels of service provided by each of the Advisers.

8 Risks

The Trustee recognises a number of key risks to themselves and to the members of the DC Section:

- i. **Value for Member Risk** – the risk that the DC Section fails to offer value for members. This is addressed through regular reviews of the charges levied on members' assets.
- ii. **Inflation Risk** – the risk that the purchasing power of their investment account is not maintained. To try and manage this risk, the Trustee has offered a range of funds designed to achieve a return above the rate of inflation.
- iii. **Pension Purchase Risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. This risk cannot easily be mitigated as it depends on the method by which members choose to access their investments, alongside the market conditions for that method of access at retirement. The Trustee has offered a Retirement Focus option which, in part, is designed to move in line with annuity prices. Annuity price matching is one of the main elements within the default solution as members approach retirement.
- iv. **Capital Risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. To try and mitigate this risk, the Trustee has offered a range of funds designed to achieve a return above the rate of inflation.
- v. **Active Manager Risk** – the risk that the active investments underlying the DC Section's investment options underperform due to the underlying investment manager underperformance. The Trustee has mitigated this risk by delegating fiduciary responsibilities to the Fiduciary Manager. The Fiduciary Manager utilises a wide range of funds, diversified across asset classes, sub asset classes and underlying managers to reduce the active manager risk.

This risk also relates to underperformance arising from underperformance of the Fiduciary Manager in its delegated duties. The Trustee mitigates this risk through frequent performance monitoring and governance.
- vi. **Platform Risk** – the assets are currently held by the Platform Manager. This risk relates to potential losses that could arise if the Platform Manager ran into financial difficulties. The Trustee carried out a comprehensive platform review at the implementation phase of the current strategy to ensure it was comfortable with the choice of Platform Manager. The Trustee continues to monitor the Platform Manager to ensure it remains comfortable.
- vii. **Communication Risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustee receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.
- viii. **Inappropriate Member Decision** – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice. The Trustee has also offered a default fund with a 'Lifestyling element' designed to phase members into lower risk and annuity price matching investments as they approach retirement.
- ix. **Organisational Risk** – the risk of inadequate internal processes leading to problems for the DC Section. This is addressed through a regular monitoring of the Advisers.
- x. **Liquidity Risk** – the risk that members are not able to realise the value of their funds when required. The Trustee has addressed this risk by only offering funds which are considered liquid.
- xi. **ESG Risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Underlying Managers where applicable, or by requesting information on the ESG policies, adopted by the Underlying Managers.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

The Trustee has provided a default option that aims to address the above risks through a member's life. The Fiduciary Manager may vary the underlying asset allocation and underlying managers within this option from time to time in response to changing market conditions and underlying manager developments. This may include the use of derivatives.

The Trustee also provides members with a range of Self-Select investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, terms to retirement and investment objective. The Trustee recognises the options it has selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular

monitoring of the active managers' performance, processes and capabilities with respect to their mandate, as well as by the use of more than one manager to avoid over exposure to one organisation.

The Trustee recognises that an efficient process for identifying, evaluating, managing and monitoring risks needs to be in place for the DC Section. The Trustee will identify and assess the impact of any risk, what controls can be put in place to manage the risk and review both the individual risks and the effectiveness of the risk management process as a whole.

The Trustee will keep these risks and how they are managed under regular review.

9 Other Considerations

9.1 Corporate Governance and Stewardship Policy

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

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

The Fiduciary Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using RBM Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Fiduciary Manager (as detailed further below):

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and restrictions detailed in the Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of this will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are made primarily via pooled investment funds via the Platform Manager, in which such investments are pooled with those of other investors. As such, direct control of engaging with companies that issues these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility to the Platform Manager for monitoring and voting on decisions relating to the pooled funds where the Platform Manager has voting rights. The Platform Manager has in place a voting policy in respect of general meetings of a pooled fund.

Some of the Scheme's investments may be held via instruments that the Platform Manager does not hold voting rights for, such as exchange traded funds ("ETFs"). For such holdings, the Trustee has delegated responsibility for monitoring and voting on decisions relating to the holdings to the Fiduciary Manager. The Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund, which also applies to such instruments where the Fiduciary Manager has voting rights on behalf of the Trustee. For any special resolutions or extraordinary general meetings, the proposed votes of the Fiduciary Manager are subject to additional sign-off by the appropriate representative from the Fiduciary Manager.

The Fiduciary Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Fiduciary Manager reviews the governance structures of the Underlying Managers, as well as assessing whether their fees, expenses and any other charges are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers are determined by criteria set by the Fiduciary Manager, as detailed above.

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

https://investandmercantile.com/Assets/UploadedFiles/file/Corporate_Governance/BMG_Conflicts_of_Interest_Policy.pdf

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

9.2 Financially material investment considerations

These considerations which include the above 'Risks' as set out in Section 8 can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as ESG) where relevant. The Trustee delegates consideration of financially material factors to the Platform Manager, who considers these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustee (in conjunction with its advisors) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustee requests the Platform Manager monitors ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

9.3 Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

9.4 Security of Assets

The Trustee is aware of the importance of the safe custody and security of members' funds. The DC Section's assets are held via an investment policy with the Platform Manager. The Financial Services Compensation Scheme ('FSCS') would provide cover to the DC Section in the event of insolvency of the Platform Manager, who also has contractual agreements in place with underlying managers and would seek compensation as a result of insolvency of underlying managers and other related parties. Appropriate due diligence is done on the financial strength, custody and administration agreements of the underlying investment managers and Platform Manager before an appointment is made and this is reviewed regularly by the Advisers in conjunction with the Trustee.

9.5 Additional Voluntary Contributions (AVCs)

There is a range of investment funds with Clerical Medical and Standard Life which are closed to future contributions. The Trustee reviews these arrangements regularly having regard to their performance, the objectives and investment advice.

Appendix A - Responsibilities

Trustee

The Trustee of the DC Section is responsible for, amongst other things:

- i. Reviewing, at least triennially (or following significant changes to the investment strategy), the content of this SIP and modifying it if deemed appropriate.
- ii. Reviewing, at least triennially (or following significant changes to the investment strategy), the content of the SIA and modifying it if deemed appropriate.
- iii. Reviewing the investment policy for the Plan in terms of providing a range of funds from which members may choose to invest (see the SIA for further detail).
- iv. Assessing the quality of the performance and process of the underlying managers and Fiduciary Manager by means of regular reviews of the investment results and other information, through meetings and written reports.
- v. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
- vi. Appointing and dismissing Platform Managers and the Fiduciary Manager.
- vii. Assessing the performance of the Advisers.
- viii. Consulting with the Company when reviewing investment policy issues.
- ix. Providing any appointed organisations/individuals with a copy of the SIP or the SIA, where appropriate.

Platform Manager

The main responsibilities of the Platform Manager are:

- i. At their discretion, but within the guidelines agreed with the Trustee, selecting and undertaking transactions in specific investments within each fund.
- ii. Acting in accordance with the principles set out in the SIP.
- iii. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:
 - Performance and rationale behind past and future strategy for fund options offered to members.
 - A full valuation of the assets.
 - A transaction report.
- iv. Informing the Trustee immediately of:
 - Any serious breach of internal operating procedures.
 - Any material change in the knowledge and experience of those involved in managing the DC Section's investment options.

Investment Adviser

The Trustee has appointed R&M in a dual role as both Investment Adviser and Fiduciary Manager of the DC Section's assets. The main responsibilities of R&M as Investment Adviser are:

- i. Participating with the Trustee in reviews of this SIP.
- ii. Informing the Trustee of any material breaches of this SIP, internal operating procedures or changes in the knowledge and experience of those involved in managing the DC Section's investment options.
- iii. Advising the Trustee of any changes in the DC Section's Platform Manager that could affect the interests of the DC Section.
- iv. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the DC Section.
- v. Undertaking reviews of the DC Section's investment arrangements including reviews of the DC Section structure.

Fiduciary Manager

The main responsibilities of R&M as Fiduciary Managers include:

- i. Investment Management services as set out in the Fiduciary Management Agreement ('FMA') and below.
- ii. At the discretion of R&M but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.
- iii. Selecting the Platform Manager, which the Trustee appoints in order to make use of the Fiduciary Manager's services.

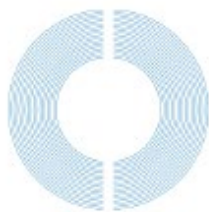
Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

- i. Liaising with the Trustee to ensure legal compliance including those in respect of investment matters.

IMPLEMENTATION STATEMENT

Schroders
solutions



Nuffield Health Pension & Life Assurance Scheme

31 March 2024 Implementation
Statement

August 2024

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering both the Defined Contribution ("DC") and Defined Benefit ("DB") sections of Nuffield Health Pension & Life Assurance Scheme ("the Scheme").

The current SIPs can be found at the below link, signed and dated September 2020:

<https://www.nuffieldhealth.com/downloads/db-statement-of-investment-principles>

<https://www.nuffieldhealth.com/downloads/dc-statement-of-investment-principles>

The DB and DC SIPs have been reviewed in the last 3 years and remain up to date. They will be reviewed again in the following year.

This Implementation Statement covers the period from 1 April 2023 to 31 March 2024 (the "Scheme Year"). It sets out:

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

The latest guidance ("the **Guidance**") from the Department for Work and Pensions ("**DWP**") aims to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. With the help of the Scheme's Fiduciary Manager, to whom the Trustee delegated the implementation of its Stewardship policy, this Implementation Statement has been prepared to provide the details on how the Trustee has complied with the DWP's statutory guidance.

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager and Adviser (referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers (referred to as "**Underlying Investment Managers**") to manage part of the Scheme's assets, and investments with these managers are generally made via pooled funds, where the Scheme's investments are pooled with those of other investors.

A copy of this Implementation Statement is available on the following website: [Pension & Life Assurance Scheme \(PLAS\) member area | Nuffield Health](#)

2. How the Trustee's policies on stewardship have been followed over the Scheme Year

The Trustee's Fiduciary Manager is a signatory to the *UK Stewardship Code* which sets high standards for those investing money on behalf of UK pensioners and savers. The Trustee expects the Fiduciary Manager's stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Scheme. Therefore, the Trustee's approach to stewardship is to delegate the stewardship activities to the Fiduciary Manager and as such the Trustee has aligned its stewardship priorities with the Fiduciary Managers' Climate Change, Natural Capital & Biodiversity and Human Rights.

The UK Stewardship Code describes stewardship as *"the responsible allocation, management and oversight of capital to create long-term value ... leading to sustainable benefits for the economy, the environment and society."* Thus, the Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

The Trustee takes responsibility for regularly reviewing the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's priorities and objectives. A copy of the Scheme's SIP has been provided to the Fiduciary Manager, who is expected to follow the Trustee's investment (including stewardship) policies when providing Fiduciary Management services.

As part of ongoing monitoring of how the Fiduciary Manager (FM) has exercised the Trustee's stewardship policy, the Trustee reviewed quarterly FM ESG updates during the Scheme Year, as well as the FM Annual ESG Report after the Scheme Year-end, before preparing this Implementation Statement. The quarterly ESG updates allow the Trustee to monitor the ESG characteristics of the Scheme's portfolio and thereby assess the Fiduciary Manager's allocation, management and oversight of the Scheme's capital. The annual ESG report details various areas concerning the Fiduciary Manager's ESG integration within the investments and stewardship activities over the previous calendar year.

The Trustee is satisfied that the expectations outlined in the SIP have been met, with the Fiduciary Manager taking the Trustee's stewardship policy and priorities into account as part of its stewardship activities and manager selection. Examples of how this has been evidenced over 2023, include:

- ❖ Exclusions of Global Norms Violators as part of the security selection process. This ensures a closer alignment of the Scheme's investments with the Trustee's stewardship priorities, as violators are generally viewed as causing significant harm to People or Planet.
- ❖ Incorporation of SustainEx™ scoring into the core equity allocation process, in both the initial screening process and as a constraint at a total portfolio level. SustainEx™ is Schroders' proprietary tool to translate social and environmental impacts into financial costs.
- ❖ Conducting manager research to identify value-adding, climate-aware equity funds to potentially allocate some of the Scheme's capital to, subject to further due diligence.
- ❖ Approval of a cash fund that offers improved environmental characteristics to the Scheme's existing cash fund, with equivalent cost and return track record. After carrying out appropriate due diligence in early 2024, the Scheme's existing cash assets have now been invested in this fund.

- ❖ Annual assessment of Underlying Investment Managers' ESG ratings against a comprehensive internal ESG assessment framework. Lower-rated managers are categorised as either Red-Engagement or Red-Exclusion, requiring further engagement to improve their rating, or exclusion on the grounds of poor ESG credentials.
- ❖ Regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments.
- ❖ Addition of voting and engagement examples to the quarterly ESG reporting provided to the Trustee, facilitating a more regular review throughout the year of the Underlying Investment Managers' stewardship activities.
- ❖ ESG integration throughout the portfolio, with Underlying Investment Manager and counterparty engagement carried out in Growth, Structured Equity, Buy & Maintain and LDI portfolios. Some examples of the engagements which occurred over 2023 are detailed in a separate Engagement Report, available upon request.
- ❖ Introduction of new 'impact' metrics into quarterly reporting, such as Implied Temperature Rise (measuring the contribution of the Scheme's investments to global warming) and SustainEx™ scoring, to facilitate better Trustee oversight of the impacts of the Scheme's capital on the environment and society.

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity (detailed in a separate Engagement Report, available upon request) that took place on the Trustee's behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio, the Trustee is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, focusing on laggards and material allocations.
- With regard to the DB section, the Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.

Throughout the year, the Trustee has engaged on ESG issues through the discussion of the 'ESG Quarterly Pack' provided by Schroders Solutions at the quarterly Trustee Board Meetings. The 'ESG Quarterly Pack' contains information on ESG hot topics, portfolio ESG commentary and climate risk monitoring.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Implementation of the Trustee’s SIP policies during the Scheme Year: DC Section

In this section, we summarise the most significant activities undertaken in relation to the SIP by the Trustee, as amended through the Scheme Year, and in turn describe the actions and decisions taken by the Trustee over the Scheme Year and the extent to which these align with the beliefs and policies stated within the SIP.

Policies relating to the Scheme which the Trustee considered the most material in the Scheme Year

DC Section

Policy	Trustee actions over the Scheme Year
Investment Strategy	<p>The Trustee’s policies in relation to the Scheme’s investment strategy are set out in section 3 of the SIP and covers the following areas:</p> <p>General Policy: The Trustee makes available an appropriate range of investment options for members, which aim to maximise returns without taking inappropriate levels of risk.</p> <p>Investment Objectives: the Trustee recognises that members will have differing investment needs and tolerances for risk, which may change over time. The Trustee also considers the expected level of investment expertise among members, the likelihood of members seeking professional advice in respect of their investment choices and the resulting risk of inappropriate decision-making by members.</p> <p>Investment Strategy: The Trustee offers a default lifestyling arrangement and a range of self-directed ‘Self-Select’ options. Members can choose to invest their contributions in one or more of these investment options.</p> <p>Diversification: The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile.</p> <p>Suitability: The Trustee receives advice from the Fiduciary Manager to ensure that the range of investment options offered to members is suitable. Members are responsible for choosing which of the Self-Select funds is most appropriate or choosing to rely on the default strategy, based on their individual circumstances.</p> <p>Active and Passive Management: The Trustee takes advice from their Advisers on the choice of whether to offer active and/or passive fund options, which is in part determined by the range of Investment Managers offered by the Platform Manager. These managers are selected by the Fiduciary Manager.</p> <p>Review: The Trustee will review, in conjunction with the Investment Advisers, any investment option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk which may be</p>

	<p>thought to be unreasonable in the context of the DC Section’s investment objectives.</p> <p>During the Scheme year, the Trustee undertook a full investment strategy review, which considered the above objectives and policies in detail. Following this review, the following changes to the investment strategy were agreed:</p> <p>Default Strategy</p> <ul style="list-style-type: none"> • Increase the expected return profile of strategy, with commensurate increase in volatility. <p>Self-select range</p> <ul style="list-style-type: none"> • Replace the existing Ethical fund with the BlackRock ACS World ESG Equity Tracker • Introduce the HSBC Islamic Global Equity fund. <p>Additional Voluntary Contributions (“AVCs”)</p> <ul style="list-style-type: none"> • Consolidate the AVC investments into the existing fund range.
<p>Default Investment Strategy</p>	<p>The Trustee’s aims and objectives in relation to the default strategy are set out in section 4 of the SIP and covers the areas below:</p> <p>The kinds of investment to be held and the balance between different kinds of investments: The kinds of investments to be held within the default strategy are outlined in the SIA. Each fund within the default strategy holds these assets in varying proportions, depending on their objectives and risk targets (expressed as a percentage of global equity volatility).</p> <p>As part of the investment strategy review which was undertaken in 2023, the balance between different kinds of investment was reviewed in detail. It was agreed that the asset mix for all three blended funds in the default strategy would be amended to ensure the fund’s return objectives continued to be achievable.</p> <p>Risks (including the ways in which risks are to be measured and managed): Outlined in the ‘Risks’ section.</p> <p>Expected return on investments: The Trustee uses long-term inflation-linked benchmarks and short-term index-based benchmarks for each fund within the default strategy. The funds are monitored on a quarterly basis against these targets, with the assistance of the Fiduciary Manager.</p> <p>Over the 12 months to 31/03/2024, the three blended funds within the default strategy, Long Term Growth, Stable Growth and Cautious Growth, outperformed their short-term benchmarks.</p> <p>However, all three funds underperformed their long-term inflation-linked benchmarks over the five years to 31/03/2024, primarily due to the high levels of inflation which occurred over 2022 and 2023.</p> <p>Realisation of investments: Funds used within the default strategy are unitised, pooled funds which are dealt daily.</p> <p>Financially material investment considerations and non-financial matters: Detailed in the ‘Other Considerations’ section.</p>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

	<p>Corporate governance and stewardship policy: Detailed in 'Other Considerations' section.</p>
<p>Strategy Implementation</p>	<p>The Trustee's policies regarding strategy implementation are outlined in section 5 of the SIP and are set out below:</p> <p>Fund Options: The range of funds offered to members is chosen to give members a diversified range of investments from which they can select according to their individual circumstances both within the default arrangement and a range of self-directed Self-Select options. Full details are in the SIA.</p> <p>Investment of Contributions: A member's contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the default fund.</p> <p>Transitions: The Trustee, in conjunction with its Advisers, will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of its ability.</p> <p>The Trustee is satisfied that these policies were followed during the Scheme year.</p>
<p>Monitoring</p>	<p>The Trustee's policies in relation to monitoring are outlined in section 6 of the SIP and are set out below:</p> <p>Investment Managers: During the Scheme year, performance of the default strategy and self-select funds was monitored quarterly against the agreed performance objectives.</p> <p>The Trustee will regularly review the activities of the Fiduciary Manager to satisfy themselves that the Fiduciary Manager continues to carry out their work competently and have the appropriate knowledge and experience to provide fiduciary management services to the DC Section. Full details are provided in section 6.1 of the SIP.</p> <p>Advisers: The Trustee will monitor the advice given by the Advisers on a regular basis.</p> <p>Over the Scheme year, the Trustee is satisfied with the performance of the Fiduciary Manager and Advisers.</p> <p>Statement of Investment Principles: The Trustee, in conjunction with the Fiduciary Manager, continues to review the SIP at least triennially. The next review will be in 2024.</p> <p>Trustee Recordkeeping: The Trustee continues to maintain a record of all investment-related decisions that have been taken, together with the rationale in each case.</p>
<p>Fees</p>	<p>The fee structures for the Scheme are set out in section 7 of the SIP and outlined below; there were no changes to these fee structures over the Scheme year.</p> <p>Investment Managers: Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly.</p>

	<p>Platform Manager: The Platform Manager charges fees as a proportion of the size of assets invested. The charge is deducted from assets.</p> <p>Advisers: Fees paid to the Advisers are based as a basis point charge based on the size of the DC Section's assets or on fixed fees agreed in advance for specifically defined projects.</p> <p>Value for Members: The Trustee reviews all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for members is present. The Trustee undertook a value for members assessment during the Scheme year and concluded that that the fees charged are acceptable and provide good value for members.</p>
<p>Risks</p>	<p>The Trustee recognises a number of key risks to themselves and to the members of the DC Section, which are set out in section 8 of the SIP.</p> <p>During the Scheme year, the Trustee undertook a full investment strategy review with particular focus on the underlying asset allocation of the default strategy in response to changing market conditions, to ensure that these risks are mitigated as far as possible.</p> <p>Additionally, the Trustee continues to identify and assess the impact of any risk, the controls in place to manage the risk, and review both the individual risks and the effectiveness of the risk management process.</p> <p>The Trustee continues to keep these risks and how they are managed under regular review.</p>
<p>Other Considerations</p>	<p>Other Considerations are set in section 9 of the SIP and cover the following policies:</p> <p>Corporate Governance and Stewardship</p> <ul style="list-style-type: none"> • The Trustee and Fiduciary Manager have agreed, and continue to maintain, formal agreements setting out the scope of the Fiduciary Manager's activities, charging basis and other relevant matters. • The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers. • The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. • Because the Scheme's investments are made primarily via pooled investment funds via the Platform Manager, direct control of engaging with companies that issues these securities is delegated to the Underlying Managers. • The Trustee has delegated responsibility to the Platform Manager for monitoring and voting on decisions relating to the pooled funds where the Platform Manager has voting rights. The Platform Manager has in place a voting policy in respect of general meetings of a pooled fund. • Some of the Scheme's investments may be held via instruments that the Platform Manager does not hold voting rights for, such as exchange traded funds ("ETFs"). For such holdings, the Trustee has delegated responsibility for monitoring and voting on decisions relating to the holdings to the Fiduciary Manager. The Fiduciary

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Implementation of the Trustee’s SIP policies during the Scheme Year: DC Section

In this section, we summarise the most significant activities undertaken in relation to the SIP by the Trustee, as amended through the Scheme Year, and in turn describe the actions and decisions taken by the Trustee over the Scheme Year and the extent to which these align with the beliefs and policies stated within the SIP.

Policies relating to the Scheme which the Trustee considered the most material in the Scheme Year

DC Section

Policy	Trustee actions over the Scheme Year
Investment Strategy	<p>The Trustee’s policies in relation to the Scheme’s investment strategy are set out in section 3 of the SIP and covers the following areas:</p> <p>General Policy: The Trustee makes available an appropriate range of investment options for members, which aim to maximise returns without taking inappropriate levels of risk.</p> <p>Investment Objectives: the Trustee recognises that members will have differing investment needs and tolerances for risk, which may change over time. The Trustee also considers the expected level of investment expertise among members, the likelihood of members seeking professional advice in respect of their investment choices and the resulting risk of inappropriate decision-making by members.</p> <p>Investment Strategy: The Trustee offers a default lifestyling arrangement and a range of self-directed ‘Self-Select’ options. Members can choose to invest their contributions in one or more of these investment options.</p> <p>Diversification: The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile.</p> <p>Suitability: The Trustee receives advice from the Fiduciary Manager to ensure that the range of investment options offered to members is suitable. Members are responsible for choosing which of the Self-Select funds is most appropriate or choosing to rely on the default strategy, based on their individual circumstances.</p> <p>Active and Passive Management: The Trustee takes advice from their Advisers on the choice of whether to offer active and/or passive fund options, which is in part determined by the range of Investment Managers offered by the Platform Manager. These managers are selected by the Fiduciary Manager.</p> <p>Review: The Trustee will review, in conjunction with the Investment Advisers, any investment option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk which may be</p>

4. Voting During the Scheme Year

The Trustee has delegated responsibility for voting in relation to the DB and DC sections to the Fiduciary Manager and Underlying Investment Managers. Most voting rights associated with the Scheme's investments pertain to the underlying securities within the pooled funds managed by the Underlying Investment Managers. In a general meeting of a company issuing these securities, the Underlying Investment Managers exercise their voting rights according to their own policies, which the Fiduciary Manager may have influenced.

The pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee, in line with the Trustee's stewardship policy.

DB Section

Voting by the Fiduciary Manager

Over the year to 31 March 2024, regarding clients' pooled fund investments¹, the Fiduciary Manager voted on 90 resolutions across 16 meetings. The Fiduciary Manager voted against management on 5 resolution (5.6% of total resolutions) and abstained on 32² resolutions (35.6% of the total resolutions). The voting topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Voting by the Underlying Investment Managers

Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the **BNY Mellon (Schroders Solutions) Global Equity Fund**;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's three stewardship priority themes.

The **BNY Mellon (Schroders Solutions) Global Equity Fund** constitutes more than 25% of the Scheme's Growth Asset portfolio and thus constitutes the majority of the Scheme's investments in equity assets – with equity being the main asset class that holds voting rights. Additionally, within the Scheme's Growth Asset portfolio, this is the only fund for which the Fiduciary Manager has responsibility over security selection. For these reasons, the voting activity associated with the securities in this fund holds particularly significant for the Scheme. From 1 January 2024, the proxy voting for this fund moved to Schroders' central ESG team which will ensure the voting policy going forward is guided by Schroders' **Engagement Blueprint** and therefore aligns with the Trustee's stewardship priorities.

Of the votes that satisfy these criteria, the Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Fiduciary Manager. All of the most significant votes over this Scheme Year have been reported below.

CLIMATE CHANGE - At the annual PACCAR Inc meeting on 25 April 2023, BNY Mellon voted in favour of the shareholder proposal for the Board of Directors to annually issue a report describing how the company's lobbying activities align with the goal of the Paris Agreement. This vote was considered "most significant" as it focuses on climate-related topics and the manager believes PACCAR is not transparent in disclosing their

¹ The voting statistics provided pertain to the Fiduciary Manager's Model Growth portfolio and may not fully reflect the pooled fund investments held by the scheme.

² The Fiduciary Manager abstained from voting on these resolutions due to the presence of share blocking. If the Manager were to vote on a position, they would then be blocked from selling positions in the security from the voting deadline date until one day post meeting and, in the absence of an instruction from Investors, it is Schroders' policy to retain liquidity of the investment.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

activities in this area. This vote failed, and Mellon will continue to engage with PACCAR and encourage them to disclose more information on lobbying generally, and specifically related to climate.

NATURAL CAPITAL & BIODIVERSITY - On 20 June 2023, BNY Mellon voted against a shareholder proposal for General Motors Company to report on setting sustainable sourcing targets. Mellon's rationale for voting against this proposal was due to their belief that the company has numerous existing initiatives addressing the items contained in the proposal, as well as top class disclosure on other sustainable sourcing data. This vote is considered "most significant" by the Trustee, as it focuses on the natural capital and biodiversity stewardship priority and the manager considers it to be significant since the company are already providing sufficient information in this area. The vote failed, and Mellon intend to continue engagement with General Motors to ensure that all disclosures are kept up to date and are focused on material concerns to the company and their long-term value.

HUMAN RIGHTS - At the Nike Inc, shareholder meeting on 12 September 2023, BNY Mellon voted against a shareholder proposal for the company to report on the effectiveness of supply chain management on equity goals and human rights commitments. BNY Mellon voted against the proposal as they believe the company's detailed disclosures already address the ask of the shareholder proposal and support of the proposal would not enhance the long-term shareholder value of the company as it would waste time and resources on information already provided. This vote relating to the Human Rights stewardship priority failed. Mellon will continue to engage with Nike and encourage the company to maintain their disclosures in the current detailed manner they are.

Summary Voting Statistics

The Fiduciary Manager uses c. 30 Underlying Managers; however, only the Scheme's equity and some alternative (hedge fund) holdings invest in assets with voting rights attached. Below are the voting statistics over the 12 months to 31 March 2024 for the most material, active funds held on behalf of the Trustee that had voting rights during the period.

Equity Funds	BNYM Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	FSSA All China Fund (1 Nov 23 - 31 Mar 24)
Total meetings eligible to vote	943	61	25
Total resolutions eligible to vote	11,918	764	139
Of resolutions eligible to vote, % of resolutions voted on	94%	100%	100%
Of voted resolutions, % vote with management	93%	84%	96%
Of voted resolutions, % vote against management	7%	16%	4%
Of voted resolutions, % abstained	1%	0%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	3%	N/A	9%

Note:

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

- BNYM, NinetyOne and Morgan Stanley use Institutional Shareholder Services, “ISS”, for proxy voting services. BNYM also utilises Glass Lewis for research. The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- A new equity fund, **FSSA All China**, held at the Scheme Year-end, was introduced into the Growth portfolio in November 2023. Due to the Scheme’s limited investment period in this fund during this Scheme Year, the Trustee has elected to not include the 12-month voting statistics for this fund, and only report on the activity over the months invested.

Alternative Funds	Lumyna Marshall Wace - TOPS (Market Neutral) Fund	Lumyna Marshall Wace - TOPS Environmental Focus (Market Neutral) Fund	Lumyna Marshall Wace - Systematic Alpha Fund	North Rock Fund
Total meetings eligible to vote	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>	57
Total resolutions eligible to vote	5535	2733	5617	<i>Data not provided</i>
Of resolutions eligible to vote, % of resolutions voted on	100%	100%	100%	100%
Of voted resolutions, % vote with management	79%	63%	81%	100%
Of voted resolutions, % vote against management	11%	8%	11%	0%
Of voted resolutions, % abstained	10%	29%	8%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	8%	5%	8%	0%

Note:

- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Lumyna Marshall Wace and North Rock use Glass Lewis for proxy voting services.
- Lumyna Marshall Wace have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures have been rounded but may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- North Rock voted all resolutions with management or with the recommendations of the proxy advisory service.

Voting statistics have not been reported for one of the Underlying Investment Managers of the Scheme's alternative asset allocation, as they did not respond to the stewardship data request from the Fiduciary Manager. Following engagement with the Fiduciary Manager, this Underlying Investment manager has agreed to provide voting statistics for the Trustee to review going forward. Unfortunately, the voting data for the 12 months to 31 March 2024 was not received from this manager prior to the publication of this Implementation Statement. The Fiduciary Manager will continue to engage with this manager on behalf of the Trustee to request this data.

For the DB section, the Trustee is satisfied that the voting and engagement activities undertaken by both the Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year, hence the Trustee believe it has satisfactorily implemented the Stewardship Policy stated in the Scheme's SIP.

DC Section

Voting by the Underlying Investment Managers

Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the **BNY Mellon (Schroders Solutions) Global Equity Fund**;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's three stewardship priority themes of Climate Change, Natural Capital and Biodiversity and Human Rights.

Please see the DB section above for further details of the significant votes related to the BNY Mellon (Schroders Solutions) Global Equity Fund.

Summary of voting statistics - of underlying Equity managers

The Fiduciary Manager uses c. 13 Underlying Managers; however, the equity holdings are the only asset class with voting rights. The voting statistics set out below for the most material equity funds (fund weighting above 2.5% in any of the Long Term Growth, Stable Growth or Cautious Growth blends as at 31/03/2024) held on behalf of the Trustee that had voting rights during the period.

	BNYM Global Equity Fund	Legal & General World Equity Index - GBP Currency Hedged	DWS - Xtrackers S&P 500 UCITS ETF GBP Hedged	Vanguard S&P 500 UCITS ETF	iShares (BlackRock) Core MSCI World Aggregate
Total meetings eligible to vote at	943	2,982	481	504	1,521
Total resolutions eligible to vote on	11,918	37,017	6,977	7,203	22,221
% of resolutions did you vote on for which you were eligible?	94%	100%	99%	99%	98%
% voted with management	93%	79%	56%	99%	95%
% vote against management	7%	21%	36%	0%	4%
% abstained	1%	0%	1%	0%	0%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	3%	16%	Not available	0%	0%

Notes:

- BNYM, LGIM, DWS (XTrackers), Vanguard and BlackRock use Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM have included votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

For the DC section, the Trustee is satisfied that the voting and engagement activities undertaken by both Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year, hence the Trustee believes it has satisfactorily implemented the Stewardship Policy stated in the Scheme's SIP.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Scheme's actively managed holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	https://www.mellon.com/content/dam/mellondotcom/pdf/disclosures/proxy-voting-guidelines-mellon.pdf
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
SCOR	https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf
T Rowe Price	https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf
Neuberger Berman	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/
BlackRock	Investment Stewardship BlackRock
Legal and General	Investment stewardship & governance LGIM Institutional
DWS (Xtrackers)	Reports, Policies, Frameworks (dws.com)
Vanguard	Investment Stewardship reports and policies Vanguard