

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

**Report and Financial Statements for the year ended
31 March 2022**

Scheme Registration No: 10000006



1 Colmore Row, Birmingham B3 2BJ

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

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

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NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

TRUSTEE AND ADVISERS

Trustee: Nuffield Health Pension Trustees Limited

Trustee Directors: Mr A Davies** (resigned 25 November 2021)
Mr J Jones** (resigned 31 January 2022)
Ms S Latif * (resigned 1 September 2022)
Mr D McNair *
Pi Consulting (Trustee Services) Limited: (Chair)

* *Company Nominated Trustee Director*
** *Member Nominated Trustee Director*

Secretary to the Trustee: Claire Rowan
Nuffield Health
Epsom Gateway
Ashley Avenue
Epsom
Surrey KT18 5AL

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
Premier Place
2 & A Half Devonshire Square
London EC2M 4UJ

Investment Advisers: Schroders Solutions (formerly River and Mercantile Solutions Investments Ltd)
1 London Wall Place
London EC2Y 5AU

Bankers: Barclays Bank plc
1 Churchill Place
London E14 5HP

Investment Managers: Schroders Solutions (formerly River and Mercantile Solutions Investments Ltd)
1 London Wall Place
London EC2Y 5AU

Mobius Life
20 Gresham Street
London EC2V 7JE

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TRUSTEE AND ADVISERS (continued)

AVC Providers:

Clerical Medical
Standard Life

Custodians:

CACEIS
11 Westferry Circus
London E14 4HD

Consultants & Administrators:

XPS Pensions Group Limited
1 Colmore Row
Birmingham B3 2BJ

XPS Administration Limited
1 Colmore Row
Birmingham B3 2BJ

Sponsoring Employer:

Nuffield Health
Epsom Gateway
Ashley Avenue
Epsom
Surrey KT18 5AL

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Trustee Directors present to the members their annual report and financial statements for the year ended 31 March 2022.

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 provides both defined contribution and defined benefit pensions. The defined benefit section is closed to both new employees and to future accrual.

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. In accordance with these provisions three Member Nominated Trustee Directors were previously appointed but have since resigned. At the time of writing the Trustees are reviewing the Trustee board with a view to moving to a sole Trusteeship with an Independent Professional Trustee.

During the year the Trustee Directors 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
As at 31 st March 2021	426	2,037	653	3,060
Adjustments/Late notifications	1	(6)	(1)	(3)
As at 1 st April 2021	427	2031	652	3,057
Net movements over year	(107)	(104)	(37)	3
As at 31 st March 2022	377	1,927	615	3,060

The number of active defined contribution and deferred defined benefit members includes 377 members (2021: 426) 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 2022 were

Pre 88 GMP – 0%

Post 88 GMP – 0.0%

Pre 05 Excess – 2.5%

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%. There were no discretionary increases made during the year.

Transfer Values

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

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Benefit/Scheme Changes

There have been no other significant changes over the year to 31 March 2022.

Financial Development of the Scheme

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

	£
Net assets at 31 March 2021	514,190,743
Net withdrawals from dealings with members	(12,047,960)
Net returns on investments	<u>22,710,398</u>
Net assets at 31 March 2022	<u>524,853,181</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.

World events

Global financial markets have experienced, and may continue to experience, significant volatility resulting from the pandemic, geopolitical factors (such as Russia's war in Ukraine and changes in the UK government) as well as wider economic factors both in the UK and globally. In accordance with the requirements of FRS102 and the Pensions SORP the fair valuations at the date of the Statement of Net Assets reflect the economic conditions in existence at the year end.

The Trustees have evaluated all subsequent events or transactions for potential recognition or disclosure through to the date on which the Trustees' Report is approved and have determined that there were no additional subsequent events requiring adjustment to, or disclosure in the Scheme's financial statements. The Trustee continues to monitor the situation and currently there are no issues with the settlement of trades the Scheme is invested in.

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.

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, 1 Colmore Row, Birmingham B3 2BJ

Defined Contribution Section

Email: nuffield@xpsplc.com

Defined Benefits Section

Email: nuffielddb@xpsplc.com

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MoneyHelper

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

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797

Email: pensions.enquiries@moneyhelper.org.uk

Website: www.moneyhelper.org.uk

Pensions Ombudsman

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

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

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

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 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 9
Mail Handling Site A
Wolverhampton WV98 1LU

Tel: 0800 7310193

Website: www.gov.uk/find-pension-contact-details

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INVESTMENT REPORT

The Trustee has entered into an Investment Management Agreement with Schroders IS Limited ('Schroders Solutions') (previously River and Mercantile Investments Limited) 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, which is an implemented solution which allows Trustee 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.

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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 3.2% 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.

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INVESTMENT REPORT (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 70% Growth Assets/10% 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, as described below.

Growth Assets (GA)

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 2022 %	31 Mar 2021 %
Equities	20	65	44.7	59.7
Property	0	20	5.6	5.1
Return Seeking Credit	0	45	12.5	13.9
Commodities	0	40	2.6	0
Alternatives	0	40	17.3	15.9
Cash & Sovereign Bonds	0	40	17.3	5.4
			100.00	100.00
Equities & Commodities (combined)	20	70	17.2	59.7
Sub-Investment Grade Debt	0	30	47.3	4.9
Equities & Sub-Investment Grade Debt (combined)	20	80	4.7	64.5

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 below:

Portfolio Section	1 Year %	3 Years % p.a.	5 Years % p.a.
Growth Assets	6.4	6.7	5.0
Objective	4.3	4.4	4.5
Relative	2.1	2.3	0.5
Total Portfolio (excl. Liability Hedge)	5.5	5.1	4.6
Objective	5.5	4.8	4.6
Relative	0.0	0.3	0.0

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.

Defined Contribution Section

The investment objective of the Defined Contribution Section is to offer investment choice to members whilst maximising investment returns and providing an acceptable level of security.

Over the long-term, all growth-seeking funds remain ahead of their inflation-related objectives, whilst Retirement Protection continues to track its benchmark closely. All funds have performed within their agreed risk parameters. Further details are available on page 46.

Financially material investment considerations

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.

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.

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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

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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

31st October 2022

For and on behalf of the Trustee



.....
Trustee (Douglas Ross)

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 2022 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend 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.
- Non-receipt of contributions due to the Scheme from the employer. This is addressed by testing contributions due are paid to the Scheme in accordance with the schedule of contributions agreed between the employer and trustees.
- 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: 31st October 2022

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

FUND ACCOUNT

For the year ended 31 March 2022

	Note	2022 Defined Benefit Section £	2022 Defined Contribution Section £	2022 Total £	2021 Defined Benefit Section £	2021 Defined Contribution Section £	2021 Total £
CONTRIBUTIONS AND BENEFITS							
Employer contributions	4	5,720,999	1,332,047	7,053,046	721,000	1,435,044	2,156,044
Employee contributions	4	-	167,270	167,270	-	189,914	189,914
Total contributions	4	5,720,999	1,499,317	7,220,316	721,000	1,624,958	2,345,958
Transfers in	5	-	76,617	76,617	-	-	-
Other income	6	-	-	-	-	8,400	8,400
		<u>5,720,999</u>	<u>1,575,934</u>	<u>7,296,933</u>	<u>721,000</u>	<u>1,633,358</u>	<u>2,354,358</u>
Benefits paid or payable	7	15,229,688	1,908,636	17,138,324	14,545,363	2,540,862	17,086,225
Payments to and on account of leavers	8	352,870	1,049,072	1,401,942	67,806	445,281	513,087
Administrative expenses	9	804,799	(172)	804,627	893,995	80	894,075
		<u>16,387,357</u>	<u>2,957,536</u>	<u>19,344,893</u>	<u>15,507,164</u>	<u>2,986,223</u>	<u>18,493,387</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(10,666,358)</u>	<u>(1,381,602)</u>	<u>(12,047,960)</u>	<u>(14,786,164)</u>	<u>(1,352,865)</u>	<u>(16,139,029)</u>
RETURNS ON INVESTMENTS							
Investment income	10	13,318,402	156	13,318,558	10,507,182	11	10,507,193
Change in market value of investments	12	8,471,183	2,005,722	10,476,905	22,266,537	6,815,717	29,082,254
Investment management expenses	11	(1,085,065)	-	(1,085,065)	(961,100)	-	(961,100)
NET RETURNS ON INVESTMENTS		<u>20,704,520</u>	<u>2,005,878</u>	<u>22,710,398</u>	<u>31,812,619</u>	<u>6,815,728</u>	<u>38,628,347</u>
NET INCREASE IN THE FUND FOR THE YEAR		10,038,162	624,276	10,662,438	17,026,455	5,462,863	22,489,318
TRANSFERS BETWEEN SECTIONS	26	(69,350)	69,350	-	380,280	(380,280)	-
OPENING NET ASSETS		<u>469,482,207</u>	<u>44,708,536</u>	<u>514,190,743</u>	<u>452,075,472</u>	<u>39,625,953</u>	<u>491,701,425</u>
CLOSING NET ASSETS		<u>479,451,019</u>	<u>45,402,162</u>	<u>524,853,181</u>	<u>469,482,207</u>	<u>44,708,536</u>	<u>514,190,743</u>

The notes on pages 19 to 38 form part of these financial statements.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2022

	Note	2022 Defined Benefit Section £	2022 Defined Contribution Section £	2022 Total £	2021 Defined Benefit Section £	2021 Defined Contribution Section £	2021 Total £
INVESTMENT ASSETS	12						
Asset backed funding	27	70,000,000	-	70,000,000	74,200,000	-	74,200,000
Bonds		126,247,147	-	126,247,147	98,015,306	-	98,015,306
Pooled investment vehicles	13	269,750,439	43,347,246	313,097,685	299,972,721	43,954,724	343,927,445
Derivatives	14	40,868,893	-	40,868,893	35,165,355	-	35,165,355
Insurance policies	15	200,000	-	200,000	264,000	-	264,000
AVC investments	16	619,548	265,192	884,740	895,480	243,819	1,139,299
Cash deposits		7,038,541	201,708	7,240,249	5,886,159	62,787	5,948,946
Other investment balances	17	121,770	-	121,770	207,114	-	207,114
		<u>514,846,338</u>	<u>43,814,146</u>	<u>558,660,484</u>	<u>514,606,135</u>	<u>44,261,330</u>	<u>558,867,465</u>
INVESTMENT LIABILITIES							
Derivatives	14	(41,634,174)	-	(41,634,174)	(46,181,995)	-	(46,181,995)
TOTAL NET INVESTMENTS		<u>473,212,164</u>	<u>43,814,146</u>	<u>517,026,310</u>	<u>468,424,140</u>	<u>44,261,330</u>	<u>512,685,470</u>
CURRENT ASSETS	21	7,015,236	1,762,524	8,777,760	2,230,270	1,111,930	3,342,201
CURRENT LIABILITIES	22	(776,381)	(174,508)	(950,889)	(1,172,203)	(664,724)	(1,836,927)
CLOSING NET ASSETS		<u><u>479,451,019</u></u>	<u><u>45,402,162</u></u>	<u><u>524,853,181</u></u>	<u><u>469,482,207</u></u>	<u><u>44,708,536</u></u>	<u><u>514,190,743</u></u>

The notes on pages 19 to 38 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 11 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 31st October 2022

Signed on behalf of the Trustee



Trustee (Douglas Ross)

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NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

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, 1 Colmore Row, Birmingham B3 2BJ.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. ACCOUNTING POLICIES (continued)

(e) **Investment Income (continued)**

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 Trustee'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 2022

4. CONTRIBUTIONS

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Employer contributions			
Normal	-	1,332,047	1,332,047
Deficit funding	4,999,999	-	4,999,999
Administration expenses	721,000	-	721,000
	<u>5,720,999</u>	<u>1,332,047</u>	<u>7,053,046</u>
Employee contributions			
Normal	-	167,270	167,270
	<u>5,720,999</u>	<u>1,499,317</u>	<u>7,220,316</u>
		2021	
Employer contributions			
Normal	-	1,435,044	1,435,044
Administration expenses	721,000	-	721,000
	<u>721,000</u>	<u>1,435,044</u>	<u>2,156,044</u>
Employee contributions			
Normal	-	189,914	189,914
	<u>721,000</u>	<u>1,624,958</u>	<u>2,345,958</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 £5.637 million are payable for the year ended 31 March 2023, £4 million per annum for the years ended 31 March 2024 and 2025 and £5.58 million per annum until 31 March 2028.

In accordance with the Schedule of Contributions dated June 2019, contributions in respect of administration expenses were at an assumed level of £60,083 per month (equivalent to £721,000 pa.) over the year ending 31 March 2022.

5. TRANSFER IN

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Individual transfers in from other schemes	-	76,617	76,617
		2021	
Individual transfers in from other schemes	-	-	-

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

6. OTHER INCOME

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Other income	-	-	-
		2021	
Other income	-	8,400	8,400

7. BENEFITS PAID OR PAYABLE

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Pensions	12,837,735	-	12,837,735
Commutation of pensions and lump sum retirement benefits	2,058,560	1,207,826	3,266,386
Purchase of annuities	-	622,024	622,024
Lump sum death benefits	207,241	78,786	286,027
Refunds of contributions on death	31,197	-	31,197
Taxation where lifetime or annual allowance exceeded	94,955	-	94,955
	<u>15,229,688</u>	<u>1,908,636</u>	<u>17,138,324</u>
		2021	
Pensions	12,300,502	-	12,300,502
Commutation of pensions and lump sum retirement benefits	2,101,001	1,565,969	3,666,970
Purchase of annuities	-	937,898	937,898
Lump sum death benefits	87,095	-	87,095
Refunds of contributions on death	56,765	36,995	93,760
	<u>14,545,363</u>	<u>2,540,862</u>	<u>17,086,225</u>

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Individual transfers out to other schemes	<u>352,870</u>	<u>1,049,072</u>	<u>1,401,942</u>
		2021	
Individual transfers out to other schemes	<u>67,806</u>	<u>445,281</u>	<u>513,087</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

9. ADMINISTRATIVE EXPENSES

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Administration	331,282	13	331,295
Actuarial fees	275,754	-	275,754
Legal fees	60,133	-	60,133
Pension payroll fees	59,076	-	59,076
Audit fees	52,300	-	52,300
Levy, professional and other fees	26,254	(185)	26,069
	<u>804,799</u>	<u>(172)</u>	<u>804,627</u>
		2021	
Administration	219,672	-	219,672
Actuarial fees	380,714	-	380,714
Legal fees	99,417	-	99,417
Pension payroll fees	59,598	-	59,598
Audit fees	51,491	-	51,491
Other levy and professional fees	83,103	80	83,183
	<u>893,995</u>	<u>80</u>	<u>894,075</u>

10. INVESTMENT INCOME

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Income from bonds	647,120	-	647,120
Income from pooled investment vehicles	9,280,341	-	9,280,341
Interest (paid)/received	(33)	156	123
Income from derivatives / swaps	968,940	-	968,940
Annuity income	47,034	-	47,034
Income from asset backed funding	2,375,000	-	2,375,000
	<u>13,318,402</u>	<u>156</u>	<u>13,318,558</u>
		2021	
Income from bonds	1,921,305	-	1,921,305
Income from pooled investment vehicles	4,436,324	-	4,436,324
Interest received	1,064	11	1,075
Income from derivatives / swaps	2,105,913	-	2,105,913
Annuity income	42,576	-	42,576
Income from asset backed funding	2,000,000	-	2,000,000
	<u>10,507,182</u>	<u>11</u>	<u>10,507,193</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

11. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Administration, management & custody	<u>1,085,065</u>	<u>-</u>	<u>1,085,065</u>
		2021	
Administration, management & custody	<u>961,100</u>	<u>-</u>	<u>961,100</u>

12. RECONCILIATION OF INVESTMENTS

	Value at 31.03.2021 £	Purchases at cost and derivative payments £	Sales proceeds and derivative receipts £	Change in market value £	Value at 31.03.2022 £
Defined Benefit Section					
Asset backed funding	74,200,000	-	-	(4,200,000)	70,000,000
Bonds	98,015,306	134,212,937	(106,384,430)	403,334	126,247,147
Pooled investment vehicles	299,972,721	191,884,788	(231,906,657)	9,799,587	269,750,439
Derivatives	(11,016,640)	15,564,118	(7,826,315)	2,513,556	(765,281)
Insurance policies	264,000	-	-	(64,000)	200,000
AVC investments	<u>895,480</u>	<u>-</u>	<u>(303,768)</u>	<u>27,836</u>	<u>619,548</u>
	462,330,867	<u>341,661,843</u>	<u>(346,421,170)</u>	8,480,313	466,051,853
Cash deposits	5,886,159			(9,130)	7,038,541
Other investment balances	<u>207,114</u>			<u>-</u>	<u>121,770</u>
	<u>468,424,140</u>			<u>8,471,183</u>	<u>473,212,164</u>
Defined Contribution Section					
Pooled investment vehicles	43,954,724	5,306,092	(7,897,919)	1,984,349	43,347,246
AVC investments	<u>243,819</u>	<u>-</u>	<u>-</u>	<u>21,373</u>	<u>265,192</u>
	44,198,543	<u>5,306,092</u>	<u>(7,897,919)</u>	<u>2,005,722</u>	43,612,438
Cash deposits	-				-
Cash in transit	<u>62,787</u>				<u>201,708</u>
	<u>44,261,330</u>				<u>43,814,146</u>

The sales and purchases included in the Defined Benefit Section related to movements in investments transacted by Schroders 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 £	2022 Total £	2021 Total £
Other	<u>5,850</u>	<u>-</u>	<u>5,850</u>	<u>5,706</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

12. RECONCILIATION OF INVESTMENTS (continued)

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

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 Fidelity managed fund 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 Scheme which relate to members leaving the Scheme prior to vesting.

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:

	2022	2021
	£	£
Members	<u>43,347,246</u>	<u>43,954,724</u>

13. POOLED INVESTMENT VEHICLES

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

	2022	2021
	£	£
Defined Benefit Section		
Equity	121,134,293	160,296,150
Bonds	65,683,881	72,133,680
Alternatives	49,099,325	47,223,826
Property	16,983,495	13,988,940
Commodities	7,889,361	-
Cash	<u>8,960,084</u>	<u>6,330,125</u>
	<u>269,750,439</u>	<u>299,972,721</u>
Defined Contribution Section		
Equity	3,844,325	3,519,056
Bonds	554,781	679,426
Cash	282,248	349,782
Growth funds	32,744,876	33,800,417
Pre-retirement funds	<u>5,921,017</u>	<u>5,606,043</u>
	<u>43,347,246</u>	<u>43,954,724</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

14. DERIVATIVES

Objectives and policies

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

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

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

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

At the year end the Scheme held the following derivatives:

	2022 Asset £	2022 Liability £	2021 Asset £	2021 Liability £
Swaps	25,165,271	29,446,332	23,249,390	37,767,453
Forward foreign exchange contracts	406,225	1,529,382	981,678	122,970
Options	15,309,258	10,670,321	10,934,287	8,291,572
	<u>40,880,754</u>	<u>41,646,035</u>	<u>35,165,355</u>	<u>46,181,995</u>
		<u>765,281</u>		<u>11,016,640</u>

Swaps

Nature	Expiration	Notional principal £	Asset £	Liability £
Interest rate swaps (OTC)	2025-2064	224,084,000	18,517,042	17,017,365
Total asset swaps	2022-2023	190,078,216	737,864	11,827,135
Inflation swaps (OTC)	2031-2067	75,461,504	5,910,365	601,832
Total 2022			<u>25,165,271</u>	<u>29,446,332</u>
Total 2021			<u>23,249,390</u>	<u>37,767,453</u>

Included in index linked securities is collateral of 6,845,436 (2021: £19,578,571) which has been pledged by the counterparties who are RBS and HSBC.

At the year-end the Scheme held £11,380,953 (2021: £8,953,028) of collateral belonging to the counterparties who are RBS, Goldman Merrill Lynch and Barclays. This collateral is not reported within the Scheme's net assets.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

14. DERIVATIVES (continued)

Forward Foreign Exchange (to update)

Contract	Settlement Date	Currency bought	Currency sold	Asset £	Liability £
Forward OTC	27.4.2022	Sterling	YEN	1,370	-
Forward OTC	27.4.2022	Sterling	Euro	-	2,146
Forward OTC	27.4.2022	Japanese Yen	GBP	-	169
Forward OTC	27.4.2022	GBP	Euro	-	697
Forward OTC	27.4.2022	US Dollar	USD	-	29,596
Forward OTC	27.4.2022	Sterling	EUR	978	-
Forward OTC	27.4.2022	Sterling	US Dollar	-	1,582
Forward OTC	27.4.2022	Japanese Yen	Sterling	-	1,566
Forward OTC	27.4.2022	GBP	Japanese Yen	1,805	-
Forward OTC	27.4.2022	Sterling	Euro	-	600
Forward OTC	27.4.2022	Sterling	US Dollar	-	8,639
Forward OTC	27.4.2022	Sterling	US Dollar	-	1,021
Forward OTC	27.4.2022	Japanese Yen	Sterling	-	13,360
Forward OTC	27.4.2022	Sterling	EUR	1,420	-
Forward OTC	27.4.2022	Sterling	EUR	811	-
Forward OTC	27.4.2022	Sterling	Japanese Yen	-	11,619
Forward OTC	27.4.2022	Sterling	US Dollar	3,839	-
Forward OTC	27.4.2022	Sterling	Japanese Yen	10,579	-
Forward OTC	27.4.2022	Sterling	EUR	-	7,970
Forward OTC	27.4.2022	Sterling	US Dollar	1,378	-
Forward OTC	27.4.2022	Sterling	Japanese Yen	-	10,164
Forward OTC	27.4.2022	EUR	Sterling	5,120	-
Forward OTC	27.4.2022	US Dollar	Sterling	40,742	-
Forward OTC	27.4.2022	EUR	Sterling	1,308	-
Forward OTC	27.4.2022	Japanese Yen	Sterling	-	5,343
Forward OTC	27.4.2022	Sterling	Dollar	40,396	-
Forward OTC	27.4.2022	Sterling	Dollar	137,794	-
Forward OTC	27.4.2022	Japanese Yen	Sterling	10,510	-
Forward OTC	27.4.2022	Sterling	EUR	-	77,620
Forward OTC	27.4.2022	Sterling	US Dollar	-	4,414
Forward OTC	27.4.2022	Sterling	YEN	11,580	-
Forward OTC	27.4.2022	Sterling	Euro	-	3,922
Forward OTC	27.4.2022	Sterling	US Dollar	-	52,666
Forward OTC	27.4.2022	Sterling	US Dollar	-	46,507
Forward OTC	27.4.2022	Japanese Yen	Sterling	-	11,466
Forward OTC	27.4.2022	EUR	Sterling	4,368	-
Forward OTC	27.4.2022	Japanese Yen	Sterling	-	16,311
Forward OTC	27.4.2022	Japanese Yen	Sterling	13,304	-
Forward OTC	27.4.2022	Sterling	US Dollar	-	80,656
Forward OTC	27.4.2022	Japanese Yen	Japanese Yen	118,913	-
Forward OTC	27.4.2022	EUR	US Dollar	-	15,881
Forward OTC	27.4.2022	Sterling	US Dollar	-	1,125,464
Total 2022				<u>406,225</u>	<u>1,529,382</u>
Total 2021				<u>981,678</u>	<u>122,970</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

14. DERIVATIVES (continued)

Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £	Liability £
Put	20/10/2023	MXWO Index	1	-	795,427
Call	20/10/2023	MXWO Index	1	14,226,290	9,863,033
Call	Feb/Mar 2023	S&P call spread	7	<u>1,082,968</u>	<u>11,861</u>
Total 2022				<u>15,309,258</u>	<u>10,670,321</u>
Total 2021				<u>10,934,287</u>	<u>8,291,572</u>

15. INSURANCE POLICIES

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

	2022 £	2021 £
Annuity policies	<u>200,000</u>	<u>264,000</u>

16. 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 (AVCs). Members participating in this arrangement receive an annual statement made up to the year-end confirming contributions paid and the value of their fund. The aggregate amounts of AVC investments are as follows:

	2022 £	2021 £
Defined Benefit		
Standard Life	40,611	257,054
Clerical Medical	<u>578,937</u>	<u>638,426</u>
	<u>619,548</u>	<u>895,480</u>

	2022 £	2021 £
Defined Contribution		
Clerical Medical	<u>265,192</u>	<u>243,819</u>

17. OTHER INVESTMENT BALANCES

	2022 £	2021 £
Amounts due from broker	9,985	-
Dividends and interest receivable	<u>111,785</u>	<u>207,114</u>
	<u>121,770</u>	<u>207,114</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

18. FAIR VALUE DETERMINATION

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

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

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

At 31 March 2022				
	Level 1 £	Level 2 £	Level 3 £	Total £
Defined Benefit Section				
Bonds	121,364,183	4,882,964	-	126,247,147
Pooled investment vehicles	11,096,624	203,904,360	54,749,455	269,750,439
Asset backed funding	-	-	70,000,000	70,000,000
Derivatives	-	(765,281)	-	(765,281)
Insurance policies	-	-	200,000	200,000
AVC investments	-	-	619,548	619,548
Cash	7,038,541	-	-	7,038,541
Other investment balances	<u>121,770</u>	<u>-</u>	<u>-</u>	<u>121,770</u>
	<u>139,621,118</u>	<u>208,022,043</u>	<u>125,569,003</u>	<u>473,212,164</u>
Defined Contribution Section				
Pooled investment vehicles	-	43,347,246	-	43,347,246
Cash in transit	201,708	-	-	201,708
AVC investments	<u>-</u>	<u>-</u>	<u>265,192</u>	<u>265,192</u>
	<u>201,708</u>	<u>43,347,246</u>	<u>265,192</u>	<u>43,814,146</u>
At 31 March 2021				
	Level 1 £	Level 2 £	Level 3 £	Total £
Defined Benefit Section				
Bonds	98,015,306	-	-	98,015,306
Pooled investment vehicles	21,722,818	227,743,702	50,506,201	299,972,721
Asset backed funding	-	-	74,200,000	74,200,000
Derivatives	-	(11,016,640)	-	(11,016,640)
Insurance policies	-	-	264,000	264,000
AVC investments	-	-	895,480	895,481
Cash	5,886,159	-	-	5,886,159
Other investment balances	<u>207,114</u>	<u>-</u>	<u>-</u>	<u>207,114</u>
	<u>125,831,397</u>	<u>216,727,062</u>	<u>125,865,681</u>	<u>468,424,140</u>
Defined Contribution Section				
Pooled investment vehicles	-	43,954,724	-	43,954,724
Cash in transit	62,787	-	-	62,787
AVC investments	<u>-</u>	<u>-</u>	<u>243,819</u>	<u>243,819</u>
	<u>62,787</u>	<u>43,954,724</u>	<u>243,819</u>	<u>44,261,330</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

19. INVESTMENT RISK DISCLOSURES

(a) 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.

(b) Defined Benefit Section

(i) Investment strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 3.2% 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 2022

19. INVESTMENT RISK DISCLOSURES

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 70% Growth Assets/10% 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, as described below.

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 £126.2m in directly held bonds, -£0.8m in OTC derivatives and £7.1m in directly held cash balances. The Scheme also holds £74.6m 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.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

19. INVESTMENT RISK DISCLOSURES (continued)

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.). 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 Schroder Solutions. Schroder 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, 15.1% of the Scheme's holdings were exposed to overseas currencies as at year-end (2021: 16.5%).

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	2022	2021
Direct		
Bonds	126,247	98,015
Swaps	(4,281)	(14,518)
Indirect		
Bond PIVs	65,684	72,134
Cash PIVs	6,330	6,335

Please note: clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which 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.

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

19. INVESTMENT RISK DISCLOSURES (continued)

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

£'000	2022	2021
Direct		
Equity Options	3,568	2,122
S&P Equity Options	1,071	521
Indirect		
Equity PIVs	121,134	160,296
Property PIVs	16,983	13,989
Commodities PIVs	7,889	-
Alternatives PIVs	49,099	47,224

Please note: clean values have been used where applicable.

(c) Defined Contribution Section

(i) 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 2022, the total value of member funds subject to direct credit risk was £43.3m (2021: £43.9m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

19. INVESTMENT RISK DISCLOSURES (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.

(i) 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 2022

19. 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 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 2022

19. 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 2022 %	31 March 2021 %
Nuffield DC Long Term Growth				
Equities	30	90	64.7	76.5
Return seeking credit	0	60	17.6	16.0
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>40</i>	<i>10.8</i>	<i>11.0</i>
Property	0	15	0.0	0.0
Alternatives	0	20	3.4	1.1
Cash & sovereign bonds	0	60	14.3	6.5
Nuffield DC Stable Growth				
Equities	20	70	53.9	65.1
Return seeking credit	0	60	25.6	27.5
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>40</i>	<i>12.1</i>	<i>15.1</i>
Property	0	12.5	0.0	0.0
Alternatives	0	15	3.6	1.2
Cash & sovereign bonds	0	60	17.0	6.2
Nuffield DC Cautious Growth				
Equities	15	55	42.4	51.8
Return seeking credit	0	45	23.1	24.1
<i>Of which Sub-Investment Grade Debt</i>	<i>0</i>	<i>30</i>	<i>9.0</i>	<i>10.8</i>
Property	0	10	0.0	0.0
Alternatives	0	15	3.3	0.8
Cash & sovereign bonds	0	70	31.2	23.3
Nuffield DC Retirement Focus (Cash)				
Cash	100	100	100	100

Please note, some numbers may be affected by rounding.

20. CONCENTRATION OF INVESTMENTS

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

	2022		2021	
	£	%	£	%
Asset backed funding	70,000,000	13.3	74,200,000	14.4
BNY Mellon Global equity fund	111,409,650	21.2	132,644,163	25.8
Maturing Buy & Maintain Bond Fund 2021-25	28,446,594	5.4	-	-

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

21. CURRENT ASSETS

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Bank balance	6,580,153	1,645,011	8,225,164
Contributions receivable - employer	60,083	104,903	164,986
Contributions receivable - members	-	12,610	12,610
Amounts due to Employer	375,000	-	375,000
	<u>7,015,236</u>	<u>1,762,524</u>	<u>8,777,760</u>
		2021	
Bank balance	1,844,292	983,312	2,827,604
Contributions receivable - employer	60,084	113,567	173,651
Contributions receivable - members	-	15,051	15,051
Sundry debtors	325,894	-	325,894
	<u>2,230,270</u>	<u>1,111,930</u>	<u>3,342,200</u>

Included in the bank balance is £Nil (2021: £Nil) which is not allocated to members.

All contributions receivable relate to the month of March 2022 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions certified on 10 June 2019.

The amounts due from the Employer relate to payments due from the asset backed funding arrangements. This is expected to be received by November 2022.

22. CURRENT LIABILITIES

	Defined Benefit Section £	2022 Defined Contribution Section £	Total £
Accrued expenses	429,445	-	429,445
Unpaid benefits	106,166	138,257	244,423
Unpaid benefits	-	36,251	36,251
Tax payable	240,770	-	240,770
	<u>776,381</u>	<u>174,508</u>	<u>950,889</u>
		2021	
Accrued expenses	711,069	-	711,069
Unpaid benefits	313,453	338,830	652,283
Other liabilities	-	325,894	325,894
Tax payable	147,681	-	147,681
	<u>1,172,203</u>	<u>664,724</u>	<u>1,836,927</u>

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

23. RELATED PARTIES

Administrative and management expenses of £66,640 (2021: £59,998) were paid to the Sponsoring Employer in respect of the Scheme year. These amounts are included within administrative expenses in Note 9 of the financial statements.

24. 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 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.

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% (£2.1 million) of the technical provision for GMP equalisation.

25. TAXATION STATUS

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

26. TRANSFER BETWEEN SECTIONS

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

27. 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 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. 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 ABC holding the freehold of the Manor Park hospital.

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

Qualified 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 2022 which is set out in the Trustee's report on page 40.

In our opinion, except for the effects of the departure from the Schedule of Contributions described in the Basis for qualified statement about contributions paragraph, contributions for the Scheme year ended 31 March 2022 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 10 June 2019 and the Deed of Variation dated 30 June 2020.

Basis for Qualified Statement about Contributions

As explained on page 40, there were multiple instances where the monthly expense contributions and employer and member normal contributions were paid later than the due date as set out in the Schedule of Contributions. 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 Schedules 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: 31st October 2022

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	1,332,047
Employer deficit funding contributions	4,999,999
Employer administration expenses contributions	721,000
Employee normal contributions	<u>167,270</u>
Total contributions paid	<u>7,220,316</u>

Reconciliation to the financial statements:

Contributions paid under Schedule of Contributions	<u><u>7,220,316</u></u>
--	-------------------------

During the year there were the following contributions that were received after the due date as set out in the Schedule of Contributions:

- There were three instances where the monthly employer administration expense contributions of £60,083 were paid between 2 to 3 days late.
- There were three instances where the monthly employer and employee normal contributions of between £127,440 and £131,945 per month were paid between 2 to 3 days late.

This summary was approved by the Trustee on 31st October 2022

Signed on behalf of the Trustee



.....
Trustee (Douglas Ross)

GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME



Nuffield Health Pension & Life Assurance Scheme

Chair's Statement

1 April 2021 to 31 March 2022

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NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

Disclaimers, confidentiality and non-disclosure

This Statement has been commissioned by the Trustee of the Nuffield Health Pension & LA Scheme. The intended users of this note are the Trustee Directors and Scheme members. Its scope and purpose is to provide the Trustee with a report that can be shared with members to demonstrate the governance of the Scheme is in line with legislation which requires the publication of an annual Chairman's Statement. In preparing this Statement and illustrations, the Trustee has had regard to:

- The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;
- The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits'; and
- The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix.

We have used the information that Schroders have supplied to us in their report titled "Defined Contribution (DC) Section Governance Statement", as well as other public information as specified in the Statement, which we have accepted without independent checking. We do not accept responsibility for any errors that may arise that are due to such information being incorrect. We are not lawyers. If you believe that you require legal advice then you must consult an appropriately qualified professional.

This advice may not be shared with any other party without our prior written consent, except to comply with statutory requirements. No parties other than the Trustee may rely on or make decisions based on this advice (whether they receive it with or without our consent). XPS Pensions Group plc and its subsidiaries ("XPS Pensions Group") and any employees of XPS Pensions Group acknowledge no liability to other parties. This advice has no wider applicability. It is not necessarily the advice that would be given to another client or third party whose objectives or requirements may be different. This advice is up to date as at the date of writing and will not be updated unless we confirm otherwise. We retain all copyright and intellectual property rights.

XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392. All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB. All registered at: Phoenix House, 1 Station Hill, Reading RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

01 Introduction

£45.4m

Total defined
contribution funds
in the Scheme.

This is the Chair's Statement for the Nuffield Health Pension & LA Scheme covering the period 1 April 2021 to 31 March 2022.

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 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 2022 is £45,402,162.

This statement covers the following:

- Net returns, 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, Albion, Fishponds Road, Wokingham, RG41 2QE.

I, Doug Ross, am signing this Statement as the Chair 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

23 August 2022

The most recent review of the fund range and default arrangement's strategy was conducted during the 2019/20 Scheme year

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 in order 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.

02.02 Reviewing the default investment arrangement

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

A review of the Nuffield Lifestyle Default Option, including a review of the performance of the underlying funds, was completed in the 2018/19 Scheme year, and the proposed changes were implemented during the 2019/20 Scheme year. 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 were also considered. The Trustee also considered the range and value of the funds on offer to members. Furthermore, as part of a review of the DC Fiduciary Manager (Schroders) in 2021, a high-level review of the default strategy was completed and resulted in a reduction of the charges levied on the Nuffield Lifestyle Default Option of 0.1%. The next full strategy review is due to be carried out during the 2022/23 Scheme year.

On the advice of Schroders, the Scheme's investment advisers, the Trustee has reviewed their paper entitled "Defined Contribution (DC) Section Governance Statement" dated March 2022, alongside the Scheme's investment objectives and the performance of the DC and AVC investments to ensure that they are still appropriate given the Trustee's investment duties. No immediate concerns were raised about the suitability in respect of the Nuffield Lifestyle Default Option.

By commissioning a Value for Members Assessment, the Trustee has looked at the level of risk and number of investment funds offered to members, changing long-term investment market conditions and the investment products and techniques available in the marketplace.

During the period covered by the Statement, the Trustee has, via the Value for Members Assessment, also reviewed the performance of the underlying funds in the Nuffield Lifestyle Default Option against the aims and objectives set out in the Statement of Investment Principles (SIP). The Trustee believes they continue to meet these aims. This review included analysis of the fund returns against their benchmarks and consideration of general market trends.

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.

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):

	5 years (2017-2022)	1 year (2022)
Lifestyle Default Option	%	%
Age 25	6.5	6.9
Age 45	5.7	5.5
Age 55	4.9	4.2

Source: Schroders Governance Statement 31 March 2022. 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:

	5 years (2017-2022)	1 year (2022)
Self-Select Funds	%	%
Nuffield Global Equity	11.6	13.1
Nuffield Ethical Global Equity	12.2	17.1
Nuffield Corporate Bond Fund	1.7	(5.0)
Nuffield Long Gilt Fund	1.0	(7.1)
Nuffield Index-Linked Gilt Fund	3.1	4.9
Nuffield Cash Fund	0.3	0.0
Nuffield Retirement Focus (Annuity)*	-	(3.1)
Nuffield Retirement Focus (Invest into Retirement)*	-	3.1
Clerical Medical With Profits	4.2	9.1
Clerical Medical Cautious Pen	3	5.72
Clerical Medical Adventurous Pen	11.72	5.45
Clerical Medical International Growth Pen	10.1	18.72

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 Ethical	9.88	11.93
Clerical Medical Cash	0.0	0.0
Clerical Medical UK Index-Linked Gilt	2.16	2.2
Clerical Medical Gilt and Fixed Interest	0.33	(6.96)
Clerical Medical UK Property	6.6	24.6
Clerical Medical Retirement Protection	0.01	(9.56)
Clerical Medical Lifestyle Balanced	3.73	6.82
Clerical Medical Lifestyle UK Growth	2.41	8.75
Clerical Medical Halifax	0.0	0.0
Clerical Medical European	5.98	11.69

Source: Schroders Governance Statement 31 March 2022. Figures are net of fees (Ongoing Charges Figure and Transaction Costs)

*Funds were at inception from 24 June 2019

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, 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	0.58-0.41	0.13-0.00
Self-select Funds		
Nuffield Global Equity Fund	0.38	0.01
Nuffield Ethical Global Equity Fund	0.60	0.01
Nuffield Corporate Bond Fund	0.34	0.00
Nuffield Long Gilt Fund	0.34	0.00

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

Nuffield Index-Linked Gilt Fund	0.33	0.02
Nuffield Cash Fund	0.40	0.02
Nuffield Retirement Focus Fund (Annuity)	0.39	0.00
Nuffield Retirement Focus Fund (Invest	0.52	0.08
AVC Funds		
Clerical Medical With Profits	1.0	0.18
Clerical Medical Balanced Pen	0.70	0.22
Clerical Medical Cautious Pen	0.70	0.15
Clerical Medical Adventurous Pen	0.70	0.16
Clerical Medical International Growth Pen	0.70	0.11
Clerical Medical Ethical	0.70	(0.08)
Clerical Medical Cash	0.70	Not available*
Clerical Medical UK Index-Linked Gilt	0.70	0.14
Clerical Medical Gilt and Fixed Interest	0.70	0.05
Clerical Medical UK Property	0.70	0.0
Clerical Medical Retirement Protection	0.70	Not available*
Clerical Medical Lifestyle Balanced	0.70	Not available*
Clerical Medical Lifestyle UK Growth	0.70	0.27
Clerical Medical Halifax	0.70	0.0
Clerical Medical European	0.70	0.17

Source: Schroders Governance Statement 31 March 2022.

*Transaction costs not available as at date of signing the accounts

The Trustee compares the performance and charges of the DC Section on quarterly basis to make sure they remain competitive. The fees are noted to be broadly in line with similar providers, and hence the Trustee has no concerns about the fees. Furthermore, as part of a review of the DC Fiduciary Manager (Schroders) in 2021, a high-level review of the default strategy was completed and resulted in a reduction of the charges levied on the default arrangement of 0.1%.

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 board takes appropriate steps to resolve and take action as required. I can confirm there were no material issues in the Statement period on which to report and 92% of all cases completed were done so within the service level agreed. 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 settlement of all DC funds is actioned promptly by the Administrator and 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

05 Value for Members

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.

05.01 Assessment of Value

The Trustee has reviewed the 'Value for Members' (VFM) considering the latest guidance from the Pensions Regulator and Department for Work & Pensions for arrangements such as the Scheme. The Trustee has also taken advice from XPS Pensions on the VFM requirements and received a report from XPS Pensions in October 2022 considering whether the Scheme provides good value, which the Trustee has reviewed.

The Trustee's assessment has included the consideration of the member-borne costs and charges and the net returns for the Scheme's investment options (net of all costs and charges) against three comparator arrangements and undertaken initial discussions with one comparator on accepting the benefits of the Section should it be discharged (as required by regulation).

Against this objective, the Trustee has assessed the various elements of the money purchase funds as outlined below and have concluded that the Scheme represents good Value for Money 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 Board considers the performance of the money purchase investments quarterly and discusses this in a meeting with the Investment Adviser, Schroders. Furthermore, the Board 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 Board also considers the recommendations provided by the Investment Adviser, Schroders;
- > the net investment returns of the Lifestyle Default Option and self-select funds compare reasonably well against the comparator arrangements;
- > the costs and charges for the Lifestyle Default Option and self-select funds were generally higher than the comparator arrangements.
- > the investment options available give members access to a variety of asset classes in which to invest and which the Trustee Board believes add to the value provided to members of the Scheme;
- > 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;
- > 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;

Value for Members continued

> 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.

06 Trustee Knowledge and understanding

06.01 Knowledge and understanding of the Trustee

The Trustee Directors are satisfied that they have complied with the knowledge and understanding requirements in section 248 of the Pensions Act 2004.

The Trustee Directors collectively bring 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 and Statement of Investment Principles.

The Trustee Board includes a Professional Independent Trustee providing the Board 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 Board'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 Board 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 Trustee Directors are expected to carry out the Pensions Regulator ('TPR') toolkit modules training and be fully conversant with the Scheme's documentation within 6 months. However, there were no new Trustee Directors in the period of this Statement.

A log of Trustee Director 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, in particular Code of Practice no 13.

During the period covered by this Statement the Trustee Board had a number of training sessions including:

- > Pension Scams and The Pension Regulator's ("TPR's") Pledge training
- > The impact of climate change on investments
- > DC value for members assessments

06.03 Conclusion

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

07 Conclusion

“Overall, the conclusion is that the Scheme is continuing to deliver value for money to the members”

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

The Board 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 Chair and Trustee are 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.

Signature



Date

31st October 2022

Name

Douglas Ross
(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 2022.

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	Nuffield Lifestyle Default Option		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	£13,200	£13,200	£13,200	£13,100
3	£20,500	£20,200	£20,500	£20,200	£20,300	£20,000	£20,100	£19,800
5	£27,900	£27,300	£27,900	£27,300	£27,500	£26,800	£27,000	£26,400
10	£48,800	£47,000	£48,800	£47,000	£47,300	£45,400	£45,900	£44,200
15	£72,700	£68,700	£73,500	£69,500	£70,300	£66,300	£67,300	£63,800
20	£99,300	£92,200	£102,400	£95,300	£96,700	£89,600	£91,300	£85,300
25	£129,900	£118,400	£136,300	£124,700	£127,000	£115,700	£118,400	£108,900
30	£162,900	£146,100	£175,900	£158,200	£161,600	£144,700	£148,700	£134,700
35	£198,100	£174,900	£222,000	£196,200	£201,100	£176,900	£182,600	£162,800
40	£225,300	£196,500	£275,600	£239,200	£246,100	£212,700	£220,400	£193,600

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	£12,800	£12,700	£13,200	£13,200	£13,200	£13,200	£12,900	£12,900
3	£18,500	£18,300	£20,300	£20,100	£20,300	£20,000	£19,000	£18,900
5	£23,900	£23,600	£27,500	£27,000	£27,500	£26,900	£24,800	£24,600
10	£37,100	£36,200	£47,300	£46,100	£47,300	£45,600	£39,600	£39,100
15	£50,000	£48,300	£70,300	£67,600	£70,300	£66,600	£54,700	£53,700
20	£62,500	£59,900	£96,700	£92,000	£96,700	£90,200	£70,100	£68,400
25	£74,800	£71,100	£127,000	£119,400	£127,000	£116,600	£85,900	£83,400
30	£87,000	£82,000	£161,600	£150,200	£161,600	£146,000	£102,000	£98,500
35	£99,000	£92,700	£201,100	£184,800	£201,100	£178,800	£118,500	£113,900
40	£111,000	£103,300	£246,100	£223,400	£246,100	£215,200	£135,500	£129,700

Projected pension pot, in today's terms		
Years	Clerical Medical With Profits (highest Charging fund)	
	Gross of all charges	Net of TER and transaction costs
1	10,137	9,971
3	10,276	9,912
5	10,417	9,855
10	10,777	9,711
15	11,150	9,570
20	11,536	9,431
25	11,936	9,293
30	12,349	9,158
35	12,776	9,025
40	13,129	8,894

Projections continued

Projected pension pot, in today's terms								
Years	Nuffield Long Gilt Fund		Nuffield Index-Linked Gilt Fund (Lowest Charging 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	£12,800	£12,800	£12,900	£12,800	£12,800	£12,700	£13,300	£13,200
3	£18,600	£18,500	£18,800	£18,600	£18,500	£18,300	£20,500	£20,200
5	£24,100	£23,800	£24,400	£24,100	£23,900	£23,600	£27,900	£27,300
10	£37,600	£37,000	£38,500	£37,600	£37,100	£36,200	£48,800	£47,000
15	£50,800	£49,700	£52,500	£50,900	£50,000	£48,300	£72,700	£68,700
20	£63,800	£62,100	£66,500	£64,000	£62,500	£59,900	£99,300	£92,200
25	£76,700	£74,200	£80,600	£76,900	£74,800	£71,200	£129,900	£118,400
30	£89,500	£86,200	£94,800	£89,800	£87,000	£82,100	£162,900	£146,100
35	£102,200	£98,000	£109,100	£102,600	£99,000	£92,900	£198,100	£174,900
40	£115,000	£109,800	£123,500	£115,400	£111,000	£103,400	£226,600	£197,800

Projected pension pot, in today's terms		
Years	Nuffield Retirement Focus (Invest into Retirement)	
	Gross of all charges	Net of TER and transaction costs
1	£13,300	£13,200
3	£20,500	£20,200
5	£27,900	£27,300
10	£48,800	£47,000
15	£72,700	£68,700
20	£99,300	£92,200
25	£129,900	£118,400
30	£162,900	£146,100
35	£198,100	£174,900
40	£234,200	£203,800

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 years' transaction costs (up to 5 years, but in this case 3 years of data has been used based on data availability), 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 (with the exception of Clerical Medical With Profit Fund).

Projections continued

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

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Nuffield Long Term Growth	2.7%
	Nuffield Stable Growth	2.2%
	Nuffield Cautious Growth	1.7%
	Nuffield Retirement Focus (Default)	(1.8%)
Self-Select Funds	Nuffield Global Equity	2.2%
	Nuffield Ethical Global Equity	2.2%
	Nuffield Corporate Bond Fund	(0.7%)
	Nuffield Long Gilt Fund	(1.6%)
	Nuffield Index-Linked Gilt Fund	(1.2%)
	Nuffield Cash Fund	(1.8%)
	Nuffield Retirement Focus (Annuity)	(1.4%)
	Nuffield Retirement Focus (Invest into Retirement)	0.8%
AVC	Clerical Medical With Profits	3.2%

The above has been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in February 2018.

Appendix B

Statement of Investment Principles

Nuffield Health Pension and Life Assurance Scheme DC Section

Statement of Investment Principles

September 2020

Version Update

i.	VersionEffective from
1.0	September 2015
2.0	September 2017
3.0	September 2019
4.0	September 2020

Nuffield Health Pension and Life Assurance Scheme

September 2020

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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.

DocuSigned by:
18 September 2020 *John E Jones*
Signed Date
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.

5 Strategy Implementation

5.1 Investment Managers

The Trustee has appointed Mobius Life Limited ('Mobius Life') as the Platform Manager to provide the platform for member investments. Mobius Life will provide services related to transition execution and the creation of insured funds, with ongoing administration of funds (including blended funds) at an overall DC Section level.

R&M are employed by the Trustee as Fiduciary Manager to provide investment and management services, as defined in the Fiduciary Management Arrangement ('FMA') agreed between the Trustee and R&M. R&M must provide the Trustee with formal investment advice as required by Section 36 of the Pensions Act 1998. The Trustee has selected a range of investment options for the members of the DC Section. Full details are set out in the SIA.

5.2 Administrator

Administration of member data is provided to the Trustee by XPS Administration.

5.3 Fund Options

The range of funds offered to members was 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. The funds available to members are detailed in the SIA.

5.4 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 provided, which is detailed in the SIA.

5.5 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.

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 R&M 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://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_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:

- ii. 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 (‘the Scheme’)

31 March 2022 Implementation
Statement

September 2022

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Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts Trustee at risk of breaching your legal duties.

This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

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").

This Implementation Statement covers the Scheme year from 1 April 2021 to 31 March 2022. It sets out:

- Details of any review of and/or changes made to the SIP;
- How, including the extent to which, the Scheme's Statement of Investment Principles ("SIP") has been followed over the year;
- How, including the extent to which, the Trustee's policies on exercising voting rights and engagement have been followed over the year; and
- The voting by or on behalf of the Trustee, including the most significant votes cast and any use of a proxy.

A copy of this Implementation Statement is available on the following website:

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

The Trustee believes that it has acted in accordance with and followed the policies set out in the Statement of Investment Principles over the Scheme year.

2. Summary of changes to the SIPs during the Scheme year

The DB Section SIP and DC Section SIP were not changed during the year to 31 March 2022. They were last updated in 2020 to account for ESG considerations. As such, the Trustee has fulfilled its obligation to review the Scheme's SIPs at least every three years.

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

The Trustee has appointed Schroders IS Limited, formerly known as River and Mercantile Investments Limited ("R&M") as its Investment Manager and Adviser using its Fiduciary Management service (and is referred to as the "Fiduciary Manager" in the Implementation Statement). Schroders IS can appoint other investment managers in respect of underlying investments (referred to as "Underlying Investment Managers").

The Scheme's Fiduciary Manager was acquired by Schroders Group to form Schroders Solutions from 1 February 2022. Therefore, there are two set of engagement priorities/themes which are applicable to the Scheme during the Scheme Year. However, going forward, the Fiduciary Manager's engagement priorities will be aligned with the broader Schroders Group's priorities. Schroders Group has a long history of engagement and active ownership, dating back to 1998 where the global asset manager appointed its first governance resource and since then have recorded & monitored ESG engagements spanning more than 20 years.

The tables below set out the actions taken by the Trustee over the year to 31 March 2022 in order to follow various policies within the SIPs.

NUFFIELD HEALTH PENSION AND LIFE ASSURANCE SCHEME

SIP policies relating to the Scheme which the Trustee considered the most material in the Scheme Year.

Policy	Trustee actions over the Scheme year
DB and DC Section	
Investment governance	<p>The Trustee has governed the Scheme in line with the SIPs.</p> <p>The SIPs set out that the Trustee will hold regular investment meetings each year – these meetings provide an opportunity for the Trustee to maintain sufficient involvement in the investment process to discharge its responsibilities appropriately and to demonstrate consultation with the Sponsoring Employer.</p> <p>The Trustee has met multiple times over the year to discuss investment matters. As well as the quarterly Trustee meetings, ad-hoc meetings were setup to onboard the new professional Trustee and to discuss investment matters during the actuarial valuation. This has allowed the Trustee to make important decisions on investment policy, while delegating day-to-day management of the strategy to the appointed Fiduciary Manager as appropriate. There have been no changes to the Scheme's investment governance policy over the Scheme year as a result of these meetings.</p> <p>Over the Scheme year from 1 April 2021 to 31 March 2022, the following training sessions have been delivered to the Trustee:</p> <ul style="list-style-type: none"> • May 2021 – ESG in Fiduciary management training; • September 2021 – High-level introduction to climate change and its risks to pension scheme investment strategies; • March 2022 – Introductory training for the new Trustee Director on the investment and funding objectives and the implementation of the Scheme's investment strategy. <p>Over the Scheme year the Trustee also received quarterly information on the performance of the investment strategy from its Fiduciary Manager. This information was formally reviewed by the Trustee and discussed with the investment advisers. During these discussions the Trustee ensured it was clear what the key portfolio activity was over the reporting period and the rationale for any portfolio changes, as well as the key contributors and detractors to investment performance over the period.</p> <p>The quarterly investment governance reports the Trustee receives from its Fiduciary Manager includes information on the DB strategy and DC default strategy's exposure to ESG and carbon risk factors. Based on this ongoing assessment the Trustee is comfortable with the level of exposure to these risk factors.</p> <p>The Trustee is comfortable with the performance of the investment strategy during the Scheme year. The DB section performed in line with its liability related objective over the year to 31 March 2022. The DC default arrangement's risk characteristics (volatility of returns) were within tolerances agreed with the Fiduciary Manager. The self-select funds, which comprise passively managed funds, effectively tracked their respective benchmarks gross of fees.</p> <p>The Trustee is required to review the SIPs at least every three years and this was undertaken in September 2020.</p>
Corporate Governance and Stewardship	<p>The SIPs set out how the Trustee delegates responsibility around corporate governance and stewardship to the Fiduciary Manager. The Trustee believes that the specific policies set out in the SIPs have been complied with this year based on the below.</p>

	<p>The Fiduciary Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the underlying investment managers. The Scheme's investments are generally made via pooled investment funds. As such, direct control of the process of engaging with the companies that issue these securities (whether equities, bonds, etc.) is delegated to the underlying investment managers. The Fiduciary Manager has been provided with a copy of the relevant SIPs and is required to exercise its functions on behalf of the Trustee with a view to giving effect to the principles and policies contained in the SIPs.</p> <p>The Fiduciary Manager undertakes regular reviews of all underlying investment managers, including reviewing their stewardship and ESG policies.</p>
Financially material factors specifically ESG and climate change	<p>The Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and ESG factors including climate change when choosing new or monitoring existing Underlying Investment Managers. The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement.</p> <p>The Trustee has therefore not sought to set its own stewardship policy and does not intend to change its position at this time. The Trustee believes the current approach to stewardship is in members and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management as well as climate risk which ultimately is expected improve the financial outcome for the Scheme's members.</p> <p>Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.</p> <p>In addition, the Trustee received training on topics such as Climate Risk and ESG in the Fiduciary Management solution. The Trustee also reviewed the Fiduciary Manager's annual ESG report and ensured it was satisfied with the actions taken on its behalf in relation to ESG integration within the investments and stewardship activity.</p> <p>The SIPs were updated in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). This section considers the actions taken and decisions made in connection with those changes.</p> <p>The Fiduciary Manager, who takes investment decisions on behalf of the Trustee, is expected to follow the Trustee's SIPs in respect of financially material factors specifically ESG and climate change. The Fiduciary Manager considers the impact of the ESG characteristics and climate change at a total portfolio level and implications for risk and return on investments. This is further described in Section 4 of this statement.</p>
Monitoring	<p>The SIPs require the Trustee to monitor the performance of the Fiduciary Manager and advisers and to review the SIPs at least every three years. The Trustee is satisfied it has complied with the SIPs as set out below.</p> <p>Over the year the Trustee has monitored the Fiduciary Manager on a quarterly basis against the objectives set by the Trustee.</p> <p>For DB investments the Trustee monitored the overall strategy and funding level at least quarterly over the year. Over the year, the Scheme's funding level on the Technical Provisions basis has marginally improved, which is positive considering the volatile market conditions which were further</p>

	<p>exacerbated due to the widespread shock of the Russian invasion. This reflects the resilience of the Scheme's growth assets, alongside the liability hedging strategy reducing funding position volatility.</p> <p>For DC investments the Fiduciary Manager provides quarterly investment reports which show investment performance over a number of periods and comparisons against a benchmark, together with a market review. A summary of these results is reviewed by the Trustee at their quarterly meetings.</p> <p>In addition, the Sponsoring Employer's covenant was also monitored throughout the year by specialist covenant advisers.</p>
Risk management	<p>These sections of the SIPs set out how risks are monitored and managed within the Scheme. Many of these aspects are also covered in various other parts of the SIPs and hence in this section there may be some repetition from other parts of the Implementation Statement. As a result, the Trustee covers only the most material risks here. The Trustee is satisfied that risks are monitored in line with the SIPs on the basis set out below.</p> <p>In the DB section, the key risk considered is funding and asset/liability mismatch risk – i.e. the risk that the Scheme's funding position will not improve over time as expected. This is mitigated primarily through setting an investment objective relative to a Liability Benchmark, which the Trustee monitors on a quarterly basis, and adopting an investment strategy which hedges interest rate and inflation risks linked to the valuation of the liabilities. Over the year to 31 March 2022, the Scheme's liability hedging strategy has protected against interest rate and inflation movements.</p> <p>The Scheme has performed in line with its Liability Benchmark over the year despite volatile market conditions. The risk of underperformance is also mitigated by targeting an investment return which is slightly higher than the discount rate assumed in the calculation of the Scheme's liabilities on the Technical Provisions basis, so that the Scheme's funding position will improve over time even if actual investment experience is slightly worse than objective.</p> <p>In addition, the Sponsoring Employer's covenant (i.e. the ability to meet its funding obligations to the Scheme) was also monitored throughout the Scheme Year via a specialist covenant reviewer.</p> <p>The Trustee also sets investment guidelines for the Fiduciary Manager which cover a range of risks to manage which are mitigated by minimum or maximum asset class allocation ranges, concentration limits, counterparty restrictions and risk parameters. The Fiduciary Manager has operated within these restrictions throughout the Scheme Year. The Trustee has monitored the Fiduciary Manager against the investment guidelines on a quarterly basis through quarterly monitoring reports and is satisfied that the guidelines have been adhered to on the basis of those reports.</p>
Non-financially material factors	<p>In line with the SIPs, the Trustee does not at present take into account non-financial matters (such as members' ethical considerations) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.</p>

DB section	
Investment strategy	<p>The overall objective of the Scheme is to meet the benefit payments promised as they fall due and to do so the investment strategy is set with regard to the level of investment risk and return deemed appropriate, taking into account wider risks, for example, the Sponsoring Employer's covenant. The Trustee, with advice from various advisers, has monitored these considerations over the Scheme Year.</p> <p>The Trustee sets the overall investment strategy for the Scheme to achieve its investment objective. The Trustee has appointed Schroders Solutions as the Fiduciary Manager to implement the Scheme's investment strategy. Schroders Solutions manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the underlying investment managers in line with the investment strategy. Implementation is discussed in the next section.</p> <p>As discussed above, a key element of the investment strategy is to hedge interest rate and inflation risks linked to the valuation of the liabilities. The Trustee remains responsible for high level strategic parameters, including:</p> <ul style="list-style-type: none"> • Defining a suitable liability related return objective; and • Agreeing the high-level strategic asset allocation. <p>The Trustee also sets investment guidelines for the Fiduciary Manager which covers a range of investment factors such as diversification, performance, liquidity. These have been adhered to by the Fiduciary Manager throughout the year. The Trustee monitors the Fiduciary Manager against these investment guidelines on a quarterly basis through the quarterly monitoring reports and the Trustee is satisfied that such guidelines have been adhered to on the basis of such reports and, as a result, no further actions were taken by the Trustee in respect of these investment guidelines.</p> <p>The DB Section has a legacy AVC fund range with Clerical Medical and Standard Life which is closed to future contributions.</p> <p>The changes to the investment strategy over the Scheme Year are described in the section below.</p>
Strategy implementation	<p>There have been a number of discussions between the Trustee, Company and Advisors since the 2018 valuation regarding setting a long-term funding objective for the Scheme. Whilst not formalised yet, the key focus has been on achieving a Low Dependency funding objective. This would put the Scheme in a position to meet all future benefit payments with little-to-no dependency on further support from the Company.</p> <p>The Trustee has monitored the Scheme's progress against both the primary funding objective and this secondary target, on a quarterly basis. This helps to guide Trustee decisions on strategy implementation, and set appropriate parameters for the Fiduciary Manager to manage the investment strategy against.</p>

DC section

Default Investment Strategy and self-select range	<p>The Trustee's investment objectives set out in the SIP are to:</p> <ul style="list-style-type: none"> • 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);
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	<ul style="list-style-type: none"> 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. <p>During the 2021/22 Scheme year, the Trustee did not formally review or make changes to the DC section's investment strategy. A strategy review is due to be carried out during the 2022/23 Scheme year. The Trustee remains comfortable the investment strategy reflects the needs of the DC Section membership. In particular:</p> <ul style="list-style-type: none"> a default strategy which gradually de-risks member's investments as they approach retirement, and reflects inflation-related investment return targets which are aligned to member's expected retirement income requirements; and a self-select fund range offering outside the default strategy that offers members a wide choice of asset classes and risk-based options, without the range being so large as to be overwhelming and hinder member decision-making.
Strategy implementation	<p>The Trustee has chosen to incorporate active management within the default arrangement, through its fiduciary manager. This is aligned with the Trustee's investment belief that active management can add value by managing risk during adverse market conditions, and taking advantage of investment opportunities to generate return, subject to the agreed risk tolerances of the default arrangement's funds.</p> <p>The Trustee has chosen to incorporate passive management within the self-select fund range (aside from the new self-select lifestyle profiles, which mirror the default arrangement during the growth phase). The Trustee believes passive management offers low cost, effective access to the core range of asset classes offered within the range, for those members actively choosing to access those asset classes.</p> <p>The policies set out above were unchanged during the Scheme year.</p> <p>The DC Section's fiduciary manager carried out a full due diligence review of the platform manager, Mobius Life, concluding during the 2021/22 Scheme year. This review covered areas including corporate structure, organisational strength, security of assets, platform technology and reporting functionality. Based on this review, the Trustee remains comfortable with the appointment of Mobius Life as platform manager.</p> <p>The Trustee receives quarterly reports from the DC Section's administrators that enable it to monitor the administration service and, in particular, that agreed service levels are being met in relation to the accuracy and timeliness of core financial transactions, including correct investment of ongoing contributions.</p> <p>Further detail regarding the processing of core financial transactions over the year is set out in the DC Governance Statement.</p> <p>The Trustee is required to assess the extent to which member-borne charges and ongoing transaction costs represent good value for members. The Trustee has reviewed this in respect of the Scheme year and concluded good value for members is demonstrated by the DC Section. This review accounted for investment performance (including risk management characteristics of the strategy) after the impact of costs and charges, a comparison of fund charges against similar funds in the industry and the service levels provided to members through the DC Section. Further information regarding the Trustee's assessment of value for members is set out in the DC Section Governance Statement.</p>
<div>Nuffield Health Pension & Life Assurance Scheme ('the Scheme')</div> <div>8</div>	

4. Voting and Engagement Summary

This statement includes information on the underlying investment managers investing in securities. Where proxy voting agents have been used, this has been included in the voting information.

Schroders Group, the parent company of Schroders Solutions, is a signatory to the UK Stewardship code. Its external recognition includes an A+ rating for UN Principles for Responsible Investment, A- rating for Carbon Disclosure Project, Advanced ESG recognition from Morningstar and Best Investor Engagement recognition from IR Society Best Practice Award for 2021.

On behalf of the Trustee, monitoring of voting and engagement in relation to the DB and DC sections was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers.

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

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

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

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

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

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes were set out below:
 - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):

	Nuffield Health Pension & Life Assurance Scheme ('the Scheme')	9
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- E Climate change: carbon emissions and footprint of our funds
- S Human capital: employee engagement and satisfaction
- G Corporate governance: board composition, executive pay / compensation
- For Schroder Solutions' engagement themes (from February 2022 onwards):
 - Climate: Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
 - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
 - Human Rights: Overarching approach to human rights, workers and communities, customers and consumers
 - Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
 - Diversity and Inclusion: Board diversity and inclusion, executive & Workforce diversity and inclusion
 - Corporate Governance: Board and management, executive remuneration, relationship with shareholders
- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular, corporate governance including board composition. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager's engagement priorities/themes set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustee, the Scheme's Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy and by the end of March 2022, Schroders Solutions had begun removing any Russian exposure from the portfolio and engaging with underlying managers who continue to hold exposures. This will be a priority engagement theme for the next Scheme year. The Trustee is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area.

Summary

The key areas the Trustee notes from voting and engagement activity across their underlying managers over the year to 31 March 2022 is set out below. Voting activity is set out in the Appendix and engagement activity over the year has been collated separately with a summary provided here:

- Most managers were able to provide evidence of high levels of engagement activity.
- Within the Scheme's DB and DC portfolios, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an American multinational shipping & receiving supply chain management company. BNYM voted for a shareholder proposal requesting that the company report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement Goals. BNYM consider some of the company's peers to have set ambitious targets and they believe by supporting this proposal, it will provide shareholders with more transparency into the company's policy and goal-setting process, especially at a time when this company is looking to expand its airline and vehicle fleets. The BNYM annual proxy voting report (2021, link included in Appendix) was reviewed by the Trustee. The proxy voting report includes details of the

significant votes and engagement examples covering a board range of underlying investment companies.

- For the largest mandate within the return-seeking credit assets, engagement on improving public disclosure and operational risk management was noted as a significant example. The manager engaged with a leading financial services company that has approximately \$1.9 trillion in assets who is subject to several consent orders and other regulatory actions, requiring the company to undertake certain changes to its business, operations, products, services and risk management practices. The manager's engagement objectives was to improve compliance and operational risk management and enhance public disclosures regarding risk control improvements. The engagement process focused on prioritising the governance with new leadership from outside the organisation, enhanced audits, procedures and controls to mitigate the chance of improper lending practices. The outcomes of the engagement was largely positive such that a new CEO was hired externally, its operating committee who was the most senior group responsible for running the company, has seen nine of its 18 members hired externally.

DB section

- For the DB section's Buy & Maintain Credit mandate, an example of Insight's engagement with a Norwegian Oil and Gas operator (DNO) was noted. Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative (OGCI)'s figure on a five-year moving average basis through 2030.
- In relation to liability hedging, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. As of 31st March 2022, £2.4m has been invested in Green Gilts (3.3% of the total LDI), which can be seen as a vote in favour of the UK Government's commitments to achieving the Paris Agreement goals.
- In relation to the DB Section's liability hedging and structured equity mandates, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

DC section

- Mobius Life did not vote on behalf of the Trustees. This is due to their policy not to vote at the fund level as they cannot represent all their underlying investors. This is common practice in the industry. However, Mobius Life does actively engage with asset managers and is in support of the UK Stewardship Code. Mobius contact each of the asset managers they invest with on an annual basis to ensure they are complying with their governance requirements at a company level and in their investment approach.

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

Appendix A – DB Section only

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

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

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

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

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

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

Over the Scheme Year, the Fiduciary Manager also

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

Top engagement themes	
	Nuffield Health Pension & Life Assurance Scheme ('the Scheme') 12

Manager A – Equity	<ul style="list-style-type: none"> ▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy
Manager C – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager D – Alternatives	<ul style="list-style-type: none"> ▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager E – Alternatives	<ul style="list-style-type: none"> ▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

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

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

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund
Total meetings eligible to vote	882
Total resolutions eligible to vote	11,989
% of resolutions did you vote on for which you were eligible?	97%
% did vote with management?	88%
% vote against management?	8%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

Note:

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

3. Examples of most significant votes carried out by the Underlying Managers

Engagement priorities	Examples
Climate change	Electronic Arts Inc, Pepper
Human capital	Microsoft, Goldman Sachs, Altice
Corporate governance	EXXON

BNYM Global Equity Fund

Microsoft

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

Goldman Sachs

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

Electronic Arts Inc

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

EXXON MOBIL CORPORATION

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

Cashflow Matching Credit – Insight

Insight, as a global asset manager, believe that they must take a proactive role in ensuring the long-term sustainability of the markets – this is in their clients' long-term interests, as well as that of wider society. Long-term initiatives include:

- Active engagement with other industry members to ensure their clients' rights and considerations are fully represented, including:
 - Joining the Net Zero Asset Managers initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gasses. As an organisation, this means they are specifically committing to:
 - As an organisation they are committed to working in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.
 - Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
 - Supporting the acceleration of action, signatories will submit an interim target, within a year of joining the initiative, for the proportion of assets to be managed in line with reaching net zero emissions by 2050 or sooner.
 - Review their interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.
 - Joining the Working Group on Sterling Risk-Free Rates.
 - Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.
 - Collaboration with peers on a range of issues, such as credit risk and ratings with the PRI initiative.
 - Encouraging issuers to submit their carbon emissions to CDP initiative.
- Development of new sources of repo liquidity - a key issue for pension funds seeking to manage risk efficiently and effectively.
- Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions - a key issue for pension funds seeking to manage risk effectively over the long term.
- Supported the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through our Advisory Council role with the Green and Social Bond Principles.

Most significant company engagements

Altice

MSCI recently downgraded Altice France following the company being taken private, and as a result the Insight ESG score declined from a 4 to a 5. Therefore, Insight's engagement with Altice France was reactive to their internal ESG deteriorating to a worst in class 5. This engagement took place during a private meeting with management led by Insight's in-house analyst, and is aligned to the 16th SDG of Peace, Justice and Strong Institutions.

Altice France are currently in discussions with MSCI on a variety of points that Altice believes are incorrect in the MSCI report. Much of this relates to MSCI not including the company's most recent Non Financial Performance Statement in its report. Despite these inaccuracies they acknowledge in conversations with Insight that there is still room for improvement on their end regarding disclosure, targets and in particular the audit committee which is not independent.

Insight expect to see further details on executives on the board, disclosure of labour management policies and disclosure of emissions targets that management have said they have in place to be recorded by H1 2022 by the company and reflected in MSCI's new rating. The next MSCI report on Altice is due to come out in Q1 '22, and Insight are in dialogue with the company on their discussions with MSCI to get the identified errors corrected; Insight hope this will be reflected in the next report, which should see the ESG score go back to a '4' as well. Additionally, the audit committee is not independent, and management have expressed this is not an immediate focus therefore Insight will have to continue to monitor this area.

Insight continue to hold Altice in our portfolios as they think once MSCI corrects their errors, the rating will be upgraded back to a '4'. However, this will be monitored in the near future to and Insight will re-asses following MSCI's revised report.

Pepper

Pepper are the largest Australian non-bank lender offering home, car, commercial and equipment loans. They have A\$5bn of loan and lease assets under management and commenced operations in 2001.

The overall ESG assessment of Pepper is positive with an Insight ESG rating of 3. From governance perspective this is a well-managed business with a diverse board. The Chairman and the CEO roles are separate. They have an independent risk, audit and compensation committee. From a social perspective Pepper also score highly. They have comprehensive policies in place to deal with changes in borrowers circumstances including a forbearance policy. They have an independent complaint handling policy.

Insight engaged with Pepper on how they deal with environmental risks as this was an area of weakness. Insight engaged with Pepper senior management on their overall environmental strategy and asked for information on who on their board oversees their environmental performance. Pepper is in the process of improving how they gather and track environmental metrics for use in future disclosure. Currently their disclosure is limited. They do not currently monitor the carbon impact of the loans or have any environmental stress tests. Insight have requested them come back to us with details of any new measures they are putting in place regarding how they will do environmental assessments for any new loans.

Insight invest in Pepper asset backed securities and will have follow up engagement conversations looking for progress on their environmental disclosure. Insight will review process with Pepper in September 2022. If Pepper does not bring in environmental assessments Insight will look to re-engage on the request and discuss the progress made, or lack of, and why.

Appendix B – DC Section

There are c. 26 underlying investment managers used by the Fiduciary Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely the BNY Mellon Global Equity and Vanguard funds. Within other asset classes there are no voting rights; however, fixed income managers can still engage with underlying companies, as demonstrated below.

The Fiduciary Manager has only included allocations which represent at least 2.5% of assets within any of the default strategy's blended funds as at 31 March 2022 and have listed out the funds we have considered in detail below. The Fiduciary Manager has not shown or considered allocations to gilt funds.

Asset class	Fund name	Maximum allocation within DC blended fund
Equity	BNY Mellon Global Equity Fund	50.0%
Equity	Vanguard FTSE Developed Markets Fund	6.6%
Equity	Vanguard Total World Stock Fund	4.7%
Equity	Vanguard S&P 500 Fund	2.7%
Bonds	BNY Mellon Efficient US High Yield Beta Fund (GBP hedged)	8.5%
Bonds	BNY Mellon Efficient Global IG Corporate Beta Fund	6.8%
Bonds	BlackRock Aquila Connect Corporate Bond All Stocks Fund	4.3%
Bonds	Neuberger Berman Global Flexible Credit Fund	5.6%
Bonds	Neuberger Berman Global ESG Credit Fund	5.9%
Cash	Sterling Cash	4.5%

Equity

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

Summary of voting activity and engagement for the 12 months to 31/03/2022 – BNYM Global Equity Fund:

Please see Appendix A.