

LV= EMPLOYEE PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023
SCHEME REGISTRATION NUMBER: 10200449

LV= EMPLOYEE PENSION SCHEME

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TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2023

Principal Employer	Liverpool Victoria Financial Services Limited	
Trustee	The LV= Pension Trustee Limited	
Directors of the Trustee	<u>Appointed by the Principal Employer</u> BESTrustees Limited (Independent Trustee Director represented by Huw Evans (Trustee Chair) and supported by Karen Theobald) John Laidlaw Lynzi Harrison (resigned 31 October 2022) Laura Johnston (resigned 31 December 2022) Emma Woodford (appointed 16 June 2022) Chris Agius (appointed 8 December 2022) <u>Member Nominated Directors (MND)</u> Anthony Antoniou David Green (resigned 31 March 2023) Joe McCormick (selected 23 March 2023) William Miller (selected 23 March 2023)	
Secretary to the Trustee	Michael Jones	
Scheme Actuary	Brian Nimmo FIA of Hymans Robertson LLP (resigned 20 July 2022) Alec Day FIA of Hymans Robertson LLP (appointed 26 August 2022)	
Independent auditor	Crowe U.K. LLP	
Legal advisers	Allen & Overy LLP	
Investment custodians	HSBC Bank Plc	
AVC providers (Defined benefit section)	Utmost Life and Pensions Limited Standard Life Assurance Limited	
Bankers	Barclays Bank plc	
Administrators	Defined Benefit Towers Watson Limited (trading as WTW)	Defined Contribution Aviva Life & Pensions UK Limited (to April 2023)
Investment advisers	Redington Limited Haydon Hill Advisors Limited	Lane Clark & Peacock LLP

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Investment managers	Defined Benefit Columbia Threadneedle Investment Services Limited Equitix Investment Management Limited BlackRock Investment Management Limited (to August 2023) Abrdn plc (to 26 September 2022) Federated Hermes Limited (to 12 October 2022) Insight Investment Management Limited (to August 2023) Schroder Investment Management Limited (from 29 June 2023)	Defined Contribution Aviva Life & Pensions UK Limited (to April 2023)
Annuity insurance provider	Phoenix Life Limited	
Covenant adviser	Ernst and Young LLP	

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TRUSTEE'S REPORT

YEAR ENDED 31 MARCH 2023

Introduction

The Trustee presents its annual report for the Scheme together with the investment report, actuarial certificate and financial statements for the year ended 31 March 2023.

The Scheme is an occupational pension scheme for certain fixed term contracts paid through payroll or permanent full and part-time staff (until 30 November 2022) and former staff of the Principal Employer and its subsidiary companies in the United Kingdom and contains both non-contributory and contributory Sections.

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

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

The Scheme comprises two sections:

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

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

Before the DC Section closed to future accrual on 30 November 2022, active Members were able to make AVC contributions to secure additional benefits; this option was also available to Members of the DB Section until it closed to future accrual.

All DC and AVC assets held in the DC Section of the Scheme transferred to The Aon MasterTrust in April 2023.

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

Management of the Scheme

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

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

Trustee

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

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

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

During the year a MND exercise to fill two vacancies was carried out. Joe McCormick and William Miller were the two successful candidates and both joined the Board on 23 March 2023.

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

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

The full Board met on six occasions. All Directors attended all Board meetings for the Scheme year ending 31 March 2023 (or, if applicable, the date when they left office), except David Green and Laura Johnson who were unable to attend one meeting. All Directors can pass on their views on agenda items to the Trustee Chair if they are unable to attend any meeting.

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

Changes to the Scheme Rules

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

Amendments were made to the Scheme rules on 30 November 2022 to close the DC Section of the Scheme to new Members, to future accrual, to allow for the implementation of switch back from the Aon MasterTrust and to amend the bulk transfer power to facilitate the transfer of members' DC assets, including any Additional Voluntary Contributions held with Aviva, to The Aon MasterTrust.

On 30 March 2023 a further amendment was made to the Scheme rules to enable Members with a Protected Pension Age of 50 to transfer benefits, at the Trustee's discretion, from The Aon MasterTrust to the LV= Employee Pension Scheme to allow them to access their DC assets before Minimum Pension age (currently age 55, increasing to age 57 from 2028).

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Scheme financial statements and summary of contributions

The financial statements of the Scheme for the year ended 31 March 2023 are set out on pages 29 to 60 and the Trustee's summary of contributions and the independent Auditor's statement about contributions are set out on pages 24 and 25 respectively.

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

The net assets of the Scheme decreased by £541.1m (2022: £68.2m) over the year giving a Scheme value of £1,277.8m at 31 March 2023 (2022: £1,818.9m).

The Scheme's assets fell in value over the year, as UK government bond yields rose dramatically. As the Scheme's assets are designed to broadly offset the impact of changing interest rates/government bond yields and inflation on the value of the liabilities, this fall in asset value was also accompanied by a fall in the Scheme's liabilities. Despite the recent uncertainty in the market the Scheme's funding is still in a strong position. The estimated funding level of the Scheme at 31 March 2023 is 98%. This is estimated as the Trustee is currently carrying out a formal valuation of the Scheme.

Change of Actuary

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

Changes to the DC section of the Scheme

Following a consultation with employees, the DC Section of the Scheme closed to new Members and future accrual on 30 November 2022 and was replaced by the LV= Future Savings section of The Aon MasterTrust from 1 December 2022.

In April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme, were transferred to the LV= Future Savings section of The Aon MasterTrust.

Other events

Scheme funding

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

- The Scheme's full actuarial valuation due on 31 March 2021 was completed in May 2022. As a result, contributions have continued at £416K per month. The results were issued to members at the end of August 2022.
- In April 2023, Liverpool Victoria Financial Services Limited (LVFS) paid down £150m of a total of £350m of Fixed Rate Reset Subordinated Debt. As a result of this transaction and to reflect the changed capital position the Trustee has therefore decided to bring forward the full valuation a year to 31 March 2023, to reset the Scheme funding basis.

The Trustee continues to work closely with LVFS and will ensure that the Pension Scheme is treated fairly at all times.

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Investments

The key event that happened after the Scheme year is:

- The Trustee appointed Schroder Investment Management Limited (Schroders) as a new single manager, to manage both the Scheme's LDI and credit assets, which were split between BlackRock (LDI) and Insight (credit assets). This consolidation will improve the Scheme's collateral management process, benefit from operational efficiencies and future proof the asset portfolio. The transition to the new manager was completed in August 2023.

Governance and Communication

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

- In June 2021, legislation was published which required trustees of large pension schemes to more closely address climate change risks and opportunities by aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Over the Scheme year the Trustee has continued work to align the Pension Scheme to the framework set by the TCFD. The Trustee's TCFD report for the year ended 31 March 2023 can be found at www.lvpensionsvillage.co.uk/resources/documents.
- The threat of cyber-crime is a growing and significant risk affecting many aspects of people's lives. During the year, the Trustee continued liaising with its administrators and advisers to ensure the appropriate policies and procedures are in place continue to develop to help combat this threat and keep member data safe. This is an area that the Trustee will continue to focus on.
- In August 2023, the Scheme's website 'Pensions Village' was updated following the DC asset transfer to The Aon MasterTrust. The Pensions Village will now be predominately a communication hub for members of the DB Section of the Scheme.

External

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

- GMP equalisation

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

- Invasion of Ukraine

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

The Scheme's direct exposure to Russia and Ukraine is very minimal. Given current restrictions, it may not be possible to completely remove these assets in the short-term, but the Trustee will continue to monitor the position with its investment advisers. The Scheme's investment strategy is relatively low risk, investing across a wide variety of investments to avoid being overly reliant on one type of asset or region.

- LDI crisis

The Government's 'mini-budget' in September 2022 caused significant market volatility, particularly in terms of some Liability Driven Investment (LDI). During this period the Scheme's LDI portfolio performed as it was designed to perform: its value moved in line with the value of the Scheme's pension liabilities as bond yields and inflation expectations changed, which meant that the Scheme's funding level was much less volatile than the markets over the period.

During this period the buffers of liquid assets held were increased, as advised by the Scheme's investment advisers and LDI manager in light of the elevated market volatility. As a result, the Scheme currently holds sufficient liquidity to withstand another similarly sized market event. There was a full disinvestment from the Hermes Absolute Return Credit Fund (c.£125m), a partial disinvestment from the Insight Global Credit Fund (c.£155m) and a partial reduction in synthetic exposure within the BlackRock Volatility Controlled Equity Portfolio. Proceeds from all transitions were reinvested into the BlackRock Segregated LDI Fund to improve the Scheme's collateral availability and enabled the Scheme to maintain its hedging levels throughout the period.

The Scheme is managed with low risk levels and its funding position continues to remain strong.

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

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

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

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

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

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

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

LV= EMPLOYEE PENSION SCHEME**TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 MARCH 2023****Membership**

The changes in membership during the year are as follows:

DB Section

	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 April 2022	–	5,085	3,825	794	9,704
Adjustments to prior year*	–	(13)	2	7	(4)
New spouses and dependants	–	–	–	55	55
Retirements	–	(125)	125	–	–
Members leaving with refunds/no benefits	–	(4)	–	–	(4)
Deaths	–	(9)	(108)	(43)	(160)
Entitlements ceasing	–	–	–	(2)	(2)
Individual transfers out	–	(21)	–	–	(21)
Commutations	–	(20)	–	–	(20)
At 31 March 2023	–	4,893	3,844	811	9,548

DC Section

	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 April 2022	1,196	5,870	–	–	7,066
New members	205	–	–	–	205
Retirements	(5)	(23)	–	–	(28)
Members leaving with deferred benefits	(1,337)	1,337	–	–	–
Members leaving with refunds/no benefits	(10)	(2)	–	–	(12)
Deaths	(2)	(1)	–	–	(3)
Individual transfers out	(47)	(137)	–	–	(184)
At 31 March 2023	–	7,044	–	–	7,044
Total membership	–	11,937	3,844	811	16,592

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Pension increases

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

The Liverpool Victoria increases were applied from 1 April 2022. These are based on September 2021 RPI of 4.9%, except for the post 5 April 1988 GMP element which is subject to statutory increases based on CPI; which was 3.1%. The post 5 April 1988 GMP element is subject to a maximum increase of 3%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April 1995 AVCs are subject to a maximum increase of 5%.

The Frizzell increases were applied from 6 July 2022. These are based on the April 2022 RPI of 11.1% except for the pre 6 April 1998 and post 5 April 1988 GMP elements. These are subject to fixed increases of 3%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April 1995 AVCs are subject to a maximum increase of 5%.

<u>Pension element</u>	<u>Increase applied</u>	
	<u>Liverpool Victoria</u> <u>01-04-2022</u>	<u>Frizzell</u> <u>06-07-2022</u>
Pre 06/04/1988 GMP	No increase	3.0%
Post 05/04/1988 GMP	3.0%	3.0%
Pre 06/04/1997 excess over GMP	4.9%	5.0%
06/04/1997 to 30/11/2007 excess over GMP	4.9%	5.0%
Post 30/11/2007 excess over GMP	2.5%	2.5%
Pre 06/04/1995 AVCs	No increase	No increase
06/04/1995 to 05/04/2000 AVCs	4.9%	5.0%
Post 05/04/2000 AVCs	4.9%	5.0%

These were implemented correctly and on time.

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

No discretionary payments were made.

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Report on Actuarial Liabilities

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

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

The most recent scheme funding valuation under section 224 of the Pensions Act 2004 of the Scheme was carried out as at 31 March 2021. The results of that valuation are shown below, along with the interim updated position at 31 March 2022.

Valuation date: 31 March	2022	2021
Value of technical provisions	£1,451.4m	£1,568.7m
Value of assets available to meet technical provisions	£1,566.9m	£1,630.3m
As a percentage of technical provisions	108%	104%

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

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

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

Method

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

Significant actuarial assumptions

Discount interest rate: for non-insured liabilities: best estimate of the Scheme's expected return on investments less 0.41% p.a. (defined as full gilt yield curves plus 1.00% p.a. at the valuation date, plus 1.18% p.a. at the 2022 valuation date); for insured liabilities: full gilt yield curves.

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

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

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

Schedule of contributions

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

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

Under the current schedule of contributions, the Employer shall pay contributions of £416,777 per month to support the aspiration of being fully funded on a longer-term target basis, until 31 March 2028 or until the target is reached if earlier.

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

Next actuarial valuation

In April 2023, Liverpool Victoria Financial Services Limited (LVFS) paid down £150m of a total of £350m of Fixed Rate Reset Subordinated Debt. As a result of this transaction and to reflect the changed capital position the Trustee has therefore decided to bring forward the next full valuation a year to 31 March 2023, to reset the Scheme funding basis. This full valuation is in the process of being prepared.

Investment report section

Investment managers

The Scheme's investments are managed by the investment managers appointed by the Trustee, as listed on page 2.

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment advisers, as listed on page 1. The Trustee has put in place investment mandates with its investment managers in order to implement this strategy.

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

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

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Investment principles

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

Employer related investments

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

Social, environmental and ethical considerations

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

Stewardship

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

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

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

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

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

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

Custodial arrangements

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

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TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Implementation Statement

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

DB Section

Investment objectives and strategy

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

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

The principal objectives are stated below:

1. Target an expected return on assets close to that required to meet the funding objectives within the PRMF;
2. Manage the investment risk including that arising due to mismatch between assets and liabilities, and limit the total risk of the Scheme below the risk budget set in the PRMF;
3. Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.

In respect of the four investment managers, investment management costs are based upon the size of the portfolio under management with the basis being detailed in the formal agreement between the Trustee and the principal investment manager. The estimated aggregate management fee as at 31 March 2023 is calculated as being 0.09% of the total assets (excluding the buy-in).

Asset Managers

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

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

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

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. The Scheme has been invested in the BlackRock LDI portfolio, BlackRock Protected Equities portfolio, Equitix fund II, Threadneedle Alternative Investments fund and Threadneedle Property fund for at least 3 years. The Scheme has also been invested in the Insight Global Credit fund since August 2021 as result of an investment strategy review which also involved an investment into the Hermes Absolute Return Credit fund; however, this fund was fully disinvested from in October 2022.

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

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

Asset allocation

In Q2 and Q3 2022 respectively, the FISC made the decision to fully disinvest from the Threadneedle Dynamic Real Return Fund (c.£48m) and ASI Life Diversified Growth Fund (c.£32m). The mini-budget crisis in September 2022 saw extraordinary levels of volatility in long-dated index-linked gilts with 30-year gilt yields rising by over 1.5% in 3 consecutive days. Such market volatility led to collateral calls having to be met in a very short space of time, prompting the Scheme to make a number of disinvestments. These collateral calls led to a full disinvestment from the Hermes Absolute Return Credit Fund (c.£125m) and a partial disinvestment from the Insight Global Credit Fund (c.£155m). There was also a partial reduction in synthetic exposure within the BlackRock Volatility Controlled Equity Portfolio. Proceeds from all transitions were reinvested into the BlackRock Segregated LDI Fund to improve the Scheme's collateral availability. In Q1 2023, there was an investment into the Insight Global Credit Fund (c.£60m) which was funded from the BlackRock Segregated LDI Portfolio.

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

As of March 2023, the buy-in accounted for 48% of Scheme assets, BlackRock Investment Management Limited was the principal investment manager of the Scheme's remaining DB section assets, holding approximately 33% of total assets, with Insight Investment Management Limited holding 17% of total assets. Threadneedle Pensions Limited held 0.2% of assets, and Equitix Investment Management Limited held 3% of total assets.

Following the Scheme's year end, the FISC carried out a manager selection exercise where the decision was made to transfer and combine the management of the Scheme's LDI, credit and volatility controlled equity assets to Schroders. These changes will be reflected in next year's annual report and financial statements. Due to the market movements during the year and the investment activity as a result of the rise in GILT yields the asset allocation deviated from the SIP in place at 31 March 2023. A new SIP has been approved in September 2023 which reflects the new target allocation.

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

The allocation of the Scheme's investments, in terms of underlying investments at 31 March 2023 and 31 March 2022 were as follows:

	2023 %	2023 %	2022 %	2022 %
Total assets*		100		100
Return seeking		3		7
Diversified Growth fund		-		5
Infrastructure equity fund		3		2
Liability matching		97		93
LDI portfolio		34		28
UK gilts	23		46	
Index linked securities	16		10	
Repurchase agreements	(20)		(33)	
Liquidity, cash and commitments	15		5	
Volatility Controlled Equities**	0		0	
Corporate bonds		15		24
Cash		-		-
Buy-in		48		41

* Both 2022 and 2023 Asset Values include AVC assets

** The Volatility Controlled Equity ("VCE") allocation shown represents the mark to market value (i.e. the cash value) of the portfolio, rather than the notional exposure to equity markets.

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Review of investment performance

Relative performance

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

Years ending 31st March	LV= Scheme %	Benchmark %
2019	5.7	-0.4
2020	6.6	8.2
2021	0.7	-10.2
2022	-0.3	-6.0
2023*	-11.8	-13.1

*Scheme performance and benchmark performance calculated using annualised quarterly returns of the Scheme's investments over the period. Excludes buy-in.

The Scheme's assets fell in value over the year, as UK government bond yields rose dramatically. As the Scheme's assets are designed to broadly offset the impact of changing interest rates/government bond yields and inflation on the value of the liabilities, this fall in asset value was also accompanied by a fall in the Scheme's liabilities.

The Scheme's return-seeking assets achieved a small positive return over the year, in challenging market conditions, particularly rising inflation, rising interest rates, and ongoing fears of recession. The Trustee continues to monitor performance on a regular basis.

Calculation of transfer values

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

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

DC Section

The table below shows the performance against benchmark of each of the DC Section funds for one three and five years ended 31 March 2023.

Annual percentage returns	1 year %	3 years %	5 years %
Global Shares Fund	-0.6	15.4	9.2
<i>Benchmark</i>	-2.0	16.7	10.7
UK Shares Fund	2.3	14.2	5.1
<i>Benchmark</i>	2.4	14.2	5.0
Pre-Retirement Fund	-20.4	-8.7	-3.4
<i>Benchmark</i>	-19.2	-10.1	-2.6
Diversified Growth Fund	-5.9	6.2	3.7
<i>Benchmark</i>	4.9	4.1	4.1
Property Fund	-13.3	2.9	1.1
<i>Benchmark</i>	-14.5	2.6	2.5
Diversified Growth Fund (Active)	-9.2	3.1	-0.2
<i>Benchmark</i>	5.9	4.4	5.0
Cash Fund	2.1	0.6	0.6
<i>Benchmark</i>	2.2	0.8	0.7
Approaching Retirement Fund	-4.2	2.5	n/a
<i>Benchmark</i>	4.2	3.0	n/a
Balanced Growth Fund	-5.1	8.1	n/a
<i>Benchmark</i>	2.4	9.1	n/a
Emerging Markets Equity Fund	-6.0	7.3	n/a
<i>Benchmark</i>	-4.9	7.9	n/a
Ethical Global Equity Fund	-2.1	16.3	n/a
<i>Benchmark</i>	1.0	17.8	n/a
Islamic Global Equity Fund	-3.1	16.7	n/a
<i>Benchmark</i>	-2.5	17.5	n/a
Lump Sum Targeting Fund	0.4	0.8	n/a
<i>Benchmark</i>	2.7	1.4	n/a

The performance figures above are net of fees.

There are no performance v benchmark figures for 5 years ended 31 March 2023 for the Approaching Retirement Fund, Balanced Growth Fund, Emerging Markets Equity Fund, Ethical Global Equity Fund, Islamic Global Equity Fund and Lump Sum Targeting Fund as these funds were purchased during the year ended 31 March 2020.

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Diversified Growth Fund: Its underlying fund is the LGIM Diversified Fund which invests in a mix of equities, bonds, property and other assets. The Diversified Growth Fund chosen benchmark is Sterling Overnight Index Average ("SONIA") quarterly +3.5% pa. It is therefore likely to perform very differently from an interest rate index benchmark and depending on market conditions, the fund may significantly out-perform or under-perform its benchmark.

The Balanced Growth Fund invests in five underlying funds: 20% BlackRock World Equity Index Fund; 20% LGIM Diversified Multi-Factor Equity Fund; 25% Av Baillie Gifford Multi Asset Growth; 10% Av BNY Mellon Global Dynamic Bond; 25% Av LGIM Diversified. These underlying funds invest in a wide range of equities, bonds, property, cash/money market instruments and other assets. The benchmark of the Balanced Growth Fund is a combination of the benchmarks of the underlying funds, which includes interest rate index benchmarks for the multi-asset and bond funds. These funds are therefore likely to perform very differently from an interest rate index benchmark and depending on market conditions, the Balanced Growth Fund may significantly out-perform or under-perform its benchmark as a result.

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

The Approaching Retirement Fund invests in four underlying funds: 25% Av Baillie Gifford Multi Asset Growth; 25% Av BlackRock Sterling Liquidity; 25% Av BNY Mellon Global Dynamic Bond; 25% Av LGIM Diversified. These underlying funds invest in a wide range of equities, bonds, property, cash/money market instruments and other assets. The benchmark of the Approaching Retirement Fund is a combination of the benchmarks of the underlying funds, which consist of interest rate index benchmarks. Most of these funds are therefore likely to perform very differently from an interest rate index benchmark and depending on market conditions, the Approaching Retirement Fund may significantly out-perform or under-perform its benchmark as a result.

Monitoring the investment managers within the DC section

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

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

- if they have general requests for information or guidance concerning pension arrangements contact MoneyHelper:
Address: Holborn Centre, 120 Holborn, London EC1N 2TD
Telephone: 0800 011 3797
Website: www.moneyhelper.org.uk
- if they have a complaint or dispute concerning a workplace or personal pension arrangement, they have the right to contact The Pensions Ombudsman free of charge:
Address: 10 South Colonnade, Canary Wharf, E14 4PU
Telephone: 0800 917 4487
Website: www.pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk

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

Address: Telecom House, 125-135 Preston Road, Brighton, BN1 6AF
Email: customersupport@tpr.gov.uk

It has wide ranging powers which include the power to:

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

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

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

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Internal disputes resolution procedure

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

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

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

Contact for further information

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

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

DB Section

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

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

DC Section (The assets of the DC Section of the Scheme transferred to The Aon MasterTrust in April 2023)

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

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

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

Trustee Director

Huw Evans

Date 13/10/2023

Trustee Director

Mark Laidlaw

Date 13/10/2023

LV= EMPLOYEE PENSION SCHEME

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

LV= Employee Pension Scheme

Schedule of Contributions - Actuarial Certificate

Adequacy of contributions

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

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

Consistency with statement of funding principles

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

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

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

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

LV= EMPLOYEE PENSION SCHEME

TRUSTEE'S STATEMENT ABOUT CONTRIBUTIONS

YEAR ENDED 31 MARCH 2023

Statement of Trustee's responsibilities in respect of contributions

(forming part of the Trustee's Report)

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

Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and Member contributions payable to the Scheme under the Schedules of Contributions certified by the 20 December 2018 and 1 June 2022 in respect of the Scheme year ended 31 March 2023. The Scheme auditor reports on contributions payable under the Schedules in their auditor's statement about contributions.

Contributions payable under the Schedules in respect of the Scheme year		2023
		£000
Employer:		
	Normal DC contributions	5,704
	Deficit	5,001
	For expenses	2,598
Contributions payable under the Schedules (as reported on by the Scheme auditor) and reported in the financial statements		<u>13,303</u>

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

Trustee Director

Huw Evans

Date

13/10/2023

Trustee Director

Mark Laidlaw

Date

13/10/2023

LV= EMPLOYEE PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

YEAR ENDED 31 MARCH 2023

Statement about contributions payable under the Schedules of Contributions

We have examined the summary of contributions payable to the LV= Employee Pension Scheme, for the Scheme year ended 31 March 2023 which is set out on page 24.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 20 December 2018 and 1 June 2022.

Basis of opinion

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

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

Crowe U.K. LLP
Statutory Auditor
Reading

Date: 16 October 2023

LV= EMPLOYEE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of the LV= Employee Pension Scheme for the year ended 31 March 2023 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 2023, 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.

LV= EMPLOYEE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2023

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the statement of Trustee's responsibilities set out on page 8, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

LV= EMPLOYEE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2023

- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment managers and custodian 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 transactions.
- Diversion of bulk annuity income due to the Scheme from annuity providers. This is addressed by testing that income received from the annuity providers is received in accordance with the agreement.

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

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

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP
Statutory Auditor
Reading

Date: 16 October 2023

LV= EMPLOYEE PENSION SCHEME

FUND ACCOUNT

YEAR ENDED 31 MARCH 2023

	Note	DB Section 2023 £000	DC Section 2023 £000	Total 2023 £000	Total 2022 £000
Contributions and benefits					
Employer contributions		7,599	5,704	13,303	16,713
Total contributions	5	7,599	5,704	13,303	16,713
Transfers in	6	—	40	40	38
Other income	7	5	—	5	672
		7,604	5,744	13,348	17,423
Benefits	8	(42,721)	(780)	(43,501)	(41,822)
Payments to and on account of leavers	9	(3,837)	(9,810)	(13,647)	(21,434)
Administrative expenses	10	(2,699)	—	(2,699)	(2,606)
		(49,257)	(10,590)	(59,847)	(65,862)
Net (withdrawals) from dealings with members		(41,653)	(4,846)	(46,499)	(48,439)
Returns on investments					
Investment income	11	45,129	—	45,129	38,660
Change in market value of investments	12	(531,819)	(5,736)	(537,555)	(55,975)
Investment management expenses	13	(1,374)	(858)	(2,232)	(2,502)
Net returns on investments		(488,064)	(6,594)	(494,658)	(19,817)
Net (decrease) in the fund during the year		(529,717)	(11,440)	(541,157)	(68,256)
Transfers between sections	15	155	(155)	—	—
Net assets of the Scheme					
At 1 April		1,568,184	250,789	1,818,973	1,887,229
At 31 March		<u>1,038,622</u>	<u>239,194</u>	<u>1,277,816</u>	<u>1,818,973</u>

The notes on pages 32 to 60 form part of these financial statements.

LV= EMPLOYEE PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
DB Section			
Investment assets	12		
Bonds		626,889	1,244,033
Pooled investment vehicles	16	88,895	186,920
Derivatives	17	26,756	42,134
Insurance policies	18	502,950	651,156
AVC investments	19	105	112
Cash and cash equivalent	20	59,622	12,236
Other investment balances	21	52,345	10,536
		<u>1,357,562</u>	<u>2,147,127</u>
Investment liabilities	12		
Derivatives	17	(16,309)	(31,313)
Cash and cash equivalents	20	(11,891)	(15,212)
Other investment balances	21	(291,925)	(535,101)
		<u>(320,125)</u>	<u>(581,626)</u>
Total net investments		<u>1,037,437</u>	<u>1,565,501</u>
Current assets	27	5,472	6,868
Current liabilities	28	(4,287)	(4,185)
Net assets at 31 March		<u>1,038,622</u>	<u>1,568,184</u>
DC Section			
Investment assets	12		
Pooled investment vehicles	16	239,194	250,062
Current assets	27	–	727
Net assets at 31 March		<u>239,194</u>	<u>250,789</u>
Net assets of the Scheme at 31 March		<u>1,277,816</u>	<u>1,818,973</u>

The notes on pages 32 to 60 form part of these financial statements.

LV= EMPLOYEE PENSION SCHEME

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

AS AT 31 MARCH 2023

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes account of such obligations, is dealt with in the Report on Actuarial Liabilities in the Trustee's report on pages 11 to 12 and these financial statements should be read in conjunction with this report.

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

Trustee Director

Huw Evans

Date

13/10/2023

Trustee Director

Mark Laidlaw

Date

13/10/2023

The notes on pages 32 to 60 form part of these financial statements.

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

1. General information

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

2. Basis of preparation

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

3. Comparative fund account

	Note	DB Section 2022 £000	DC Section 2022 £000	Total 2022 £000
Contributions and benefits				
Employer contributions		7,382	9,331	16,713
Total contributions	5	7,382	9,331	16,713
Transfers in	6	–	38	38
Other income	7	672	–	672
		<u>8,054</u>	<u>9,369</u>	<u>17,423</u>
Benefits	8	(41,372)	(450)	(41,822)
Payments to and on account of leavers	9	(12,566)	(8,868)	(21,434)
Administrative expenses	10	(2,606)	–	(2,606)
		<u>(56,544)</u>	<u>(9,318)</u>	<u>(65,862)</u>
Net (withdrawals)/additions from dealings with members		(48,490)	51	(48,439)
Returns on investments				
Investment income	11	38,660	–	38,660
Change in market value of investments		(79,231)	23,256	(55,975)
Investment management expenses	13	(1,637)	(865)	(2,502)
Net returns on investments		<u>(42,208)</u>	<u>22,391</u>	<u>(19,817)</u>
Net (decrease)/increase in the fund during the year		(90,698)	22,442	(68,256)
Transfers between sections	15	57	(57)	–
Net assets of the Scheme				
At 1 April		1,658,825	228,404	1,887,229
At 31 March		<u>1,568,184</u>	<u>250,789</u>	<u>1,818,973</u>

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

4. Accounting policies

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

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

Contributions

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

Transfers to and from other schemes

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

Benefits

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

Expenses

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

Investment income

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

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

Investments

Securities

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

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

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

4. Accounting policies (*continued*)

Repurchase and reverse repurchase agreements

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

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

Derivatives

Derivatives are stated at fair value.

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

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

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

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

Annuity insurance policies

Annuity insurance policies with Standard Life Assurance Limited for 32 members (2022: 38 members) were valued by the actuary at the year-end using the same actuarial assumptions adopted for on-going purposes in the triennial valuation of the Scheme. The annuity income is used to pay pensions of these members.

The valuation of the bulk annuity insurance policy with Phoenix Life Limited is based on the actuarial assumptions adopted for the ongoing purposes in the 31 March 2021 triennial valuation of the Scheme. Specifically, the discount rate used was the discount rate of the gilt yield curve as at 31 March 2023 to reflect the risk-free nature of the insurance policy. The membership data used in the valuation is as at 31 March 2021.

AVCs

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

Foreign currency conversion

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

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

5. Contributions

	2023		
	DB Section £000	DC Section £000	Total £000
Employer contributions			
Normal	–	5,704	5,704
Deficit funding	5,001	–	5,001
For expenses	2,598	–	2,598
	<u>7,599</u>	<u>5,704</u>	<u>13,303</u>
	2022		
	DB Section £000	DC Section £000	Total £000
Employer contributions			
Normal	–	9,331	9,331
Deficit funding	5,000	–	5,000
For expenses	2,382	–	2,382
	<u>7,382</u>	<u>9,331</u>	<u>16,713</u>

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

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

Deficit funding contributions of £416,777 per month are receivable up to 31 March 2028 in accordance with the Schedule of Contributions certified by the actuary on 1 June 2022.

6. Transfers in

	2023		
	DB Section £000	DC Section £000	Total £000
Individual transfers in from other schemes	–	40	40
	<u>–</u>	<u>40</u>	<u>40</u>
	2022		
	DB Section £000	DC Section £000	Total £000
Individual transfers in from other schemes	–	38	38
	<u>–</u>	<u>38</u>	<u>38</u>

7. Other income

	2023		
	DB Section £000	DC Section £000	Total £000
Claims on insurance policies	–	–	–
Compensation received	5	–	5
	<u>5</u>	<u>–</u>	<u>5</u>

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

7. Other income (continued)

	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Claims on insurance policies	672	—	672
Compensation received	—	—	—
	<u>672</u>	<u>—</u>	<u>672</u>

8. Benefits

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Pensions	37,895	—	37,895
Commutations and retirement lump sums	4,449	614	5,063
Purchase of annuities	8	152	160
Lump sum death benefits	272	14	286
Taxation where lifetime or annual allowance exceeded	97	—	97
	<u>42,721</u>	<u>780</u>	<u>43,501</u>

	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Pensions	36,914	—	36,914
Commutations and retirement lump sums	3,588	235	3,823
Purchase of annuities	13	—	13
Lump sum death benefits	857	215	1,072
Taxation where lifetime or annual allowance exceeded	—	—	—
	<u>41,372</u>	<u>450</u>	<u>41,822</u>

9. Payments to and on account of leavers

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Individual transfers out	<u>3,837</u>	<u>9,810</u>	<u>13,647</u>

	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Individual transfers out	<u>12,566</u>	<u>8,868</u>	<u>21,434</u>

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

10. Administrative expenses

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Administration fees	682	—	682
Legal and other fees	969	—	969
Actuarial and consultancy fees	970	—	970
Audit fee	78	—	78
	<u>2,699</u>	<u>—</u>	<u>2,699</u>
	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Administration fees	417	—	417
Legal and other fees	926	—	926
Actuarial and consultancy fees	1,178	—	1,178
Audit fee	85	—	85
	<u>2,606</u>	<u>—</u>	<u>2,606</u>

11. Investment income

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Net rents from properties	—	—	—
Income from bonds	47,730	—	47,730
Income from pooled investment vehicles	2,860	—	2,860
Interest paid on repurchase transactions	(5,478)	—	(5,478)
Interest/(charges) on cash deposits	17	—	17
	<u>45,129</u>	<u>—</u>	<u>45,129</u>
	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Net rents from properties	123	—	123
Income from bonds	39,509	—	39,509
Income from pooled investment vehicles	210	—	210
Interest paid on repurchase transactions	(1,146)	—	(1,146)
Interest/(charges) on cash deposits	(36)	—	(36)
	<u>38,660</u>	<u>—</u>	<u>38,660</u>

Annuity income is reflected through investments.

Swap income is included in change in market value in Note 12.

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

12. Investments

DB Section

	Value at 1 April 2022 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 31 March 2023 £000
Bonds	1,244,033	417,473	(660,633)	(373,984)	626,889
Pooled investment vehicles	186,920	700,213	(796,377)	(1,861)	88,895
Derivatives	10,821	192,383	(149,805)	(42,952)	10,447
Insurance policies	651,156	–	(32,623)	(115,583)	502,950
AVC investments	112	–	–	(7)	105
	<u>2,093,042</u>	<u>1,310,069</u>	<u>(1,639,438)</u>	<u>(534,387)</u>	<u>1,229,286</u>
Cash and cash equivalents	(2,976)			2,570	47,731
Other investment balances	(524,565)			(2)	(239,580)
	<u>1,565,501</u>			<u>(531,819)</u>	<u>1,037,437</u>

DC Section

	Value at 1 April 2022 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2023 £000
Pooled investment vehicles	<u>250,062</u>	<u>6,434</u>	<u>(11,566)</u>	<u>(5,736)</u>	<u>239,194</u>

In Q2 and Q3 2022 respectively, the Trustee made the decision to fully disinvest from the Threadneedle Dynamic Real Return Fund (c.£48m) and ASI Life Diversified Growth Fund (c.£32m). The mini-budget crisis in September 2022 saw extraordinary levels of volatility in long-dated index-linked gilts with 30-year gilt yields rising by over 1.5% in 3 consecutive days. Such market volatility led to collateral calls having to be met in a very short space of time, prompting the Scheme to make a number of disinvestments. These collateral calls led to a full disinvestment from the Hermes Absolute Return Credit Fund (c.£125m) and a partial disinvestment from the Insight Global Credit Fund (c.£155m). There was also a partial reduction in synthetic exposure within the BlackRock Volatility Controlled Equity Portfolio. Proceeds from all transitions were reinvested into the BlackRock Segregated LDI Fund to improve the Scheme's collateral availability. In Q1 2023, there was an investment into the Insight Global Credit Fund (c.£60m) which was funded from the BlackRock Segregated LDI Portfolio.

Transaction costs

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

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

LV= EMPLOYEE PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2023**

13. Investment management expenses

	2023		Total £000
	DB Section £000	DC Section £000	
Administration, management and custody fees	<u>1,374</u>	<u>858</u>	<u>2,232</u>

	2022		Total/ £000
	DB Section £000	DC Section £000	
Administration, management and custody fees	<u>1,637</u>	<u>865</u>	<u>2,502</u>

The DB Section fees for the year ended 31 March 2023 include investment manager and custodian fees of £1,455,000 (2022: £2,083,000) less OEIC fee rebates of £81,000 (2022: £446,000).

14. Taxation

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

15. Transfers between sections

	2023		Total £000
	DB Section £000	DC Section £000	
Transfers between sections	<u>155</u>	<u>(155)</u>	<u>–</u>

	2022		Total/ £000
	DB Section £000	DC Section £000	
Transfers between sections	<u>57</u>	<u>(57)</u>	<u>–</u>

The transfers between sections for the year ended 31 March 2023 include £155,000 (2022: £57,000) which relate to DB Section members who have investments in the DC Section which are being used to pay lump sums on retirement or transfers out from the DB Section.

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

16. Pooled investment vehicles

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

	2023		Total £000
	DB Section £000	DC Section £000	
Equities	–	196,723	196,723
Bonds	–	40	40
Diversified growth	–	1,769	1,769
Property	12	413	425
Cash	56,139	940	57,079
Venture capital trusts	1,612	–	1,612
Infrastructure fund	31,132	–	31,132
Multi asset	–	39,309	39,309
	<u>88,895</u>	<u>239,194</u>	<u>328,089</u>

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

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

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

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

17. Derivatives

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

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Derivative assets			
Futures	166	—	166
Options	317	—	317
Swaps	24,510	—	24,510
Forward FX contracts	1,763	—	1,763
	<u>26,756</u>	<u>—</u>	<u>26,756</u>
Derivative liabilities			
Futures	(308)	—	(308)
Options	—	—	—
Swaps	(14,899)	—	(14,899)
Forward FX contracts	(1,102)	—	(1,102)
	<u>(16,309)</u>	<u>—</u>	<u>(16,309)</u>
	<u>10,447</u>	<u>—</u>	<u>10,447</u>
	2022		
	DB Section	DC Section	Total
	£000	£000	£000
Derivative assets			
Futures	1,051	—	1,051
Options	1,462	—	1,462
Swaps	37,553	—	37,553
Forward FX contracts	2,068	—	2,068
	<u>42,134</u>	<u>—</u>	<u>42,134</u>
Derivative liabilities			
Futures	(725)	—	(725)
Options	(35)	—	(35)
Swaps	(22,151)	—	(22,151)
Forward FX contracts	(8,402)	—	(8,402)
	<u>(31,313)</u>	<u>—</u>	<u>(31,313)</u>
	<u>10,821</u>	<u>—</u>	<u>10,821</u>

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

17. Derivatives (continued)

Objectives and policies

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

Futures

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

DB Section

Nature	No. of contracts	Economic exposure £000	Expires	Asset value £000	Liability value £000
EUX BTP Future	1	983	June 2023	–	(30)
Australia 10YR Bond Future	1	400	June 2023	–	(1)
Canada 10YR Bond Future	1	1,041	June 2023	15	–
EURO-SCHATZ Bond Future	1	4,552	June 2023	1	–
EURO BOBL Future	1	6,416	June 2023	–	(6)
EURO BUND Future	1	3,736	June 2023	–	(83)
EURO BUXL 30YR Bond Future	1	1,055	June 2023	–	(59)
Japan 10YR Bond Future	1	1,784	June 2023	–	(16)
UK Long Gilt Future	1	2,269	June 2023	–	(5)
US 2YR Note Future	1	12,120	June 2023	–	(98)
US 10YR Note Future	1	1,013	June 2023	–	(10)
US Long Bond Future	1	3,214	June 2023	75	–
US 10YR Ultra Future	1	4,464	June 2023	42	–
US Ultra Treasury Bond Future	1	1,228	June 2023	28	–
US 5YR Note Future	1	5,673	June 2023	5	–
Total 2023		49,948		166	(308)
Total 2022		1,215		1,051	(725)

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

17. Derivatives (continued)

Options

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

DB Section

Nature	No. of contracts	Notional principal £000	Expires	Asset value £000	Liability value £000
European volatility index	1	674	July 2023	27	–
European volatility index	1	337	March 2024	290	–
Total 2023		<u>1,011</u>		<u>317</u>	<u>–</u>
Total 2022		<u>74,022</u>		<u>1,462</u>	<u>(35)</u>

Swaps

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

DB Section

Nature	No. of contracts	Notional amounts £000	Expires	Asset value £000	Liability value £000
Interest rate swaps	27	220,807	2025-2051	14,783	(11,878)
Inflation rate swaps	5	50,292	2024-2035	6,710	(2,816)
Total return swaps	2	1,011	To March 2024	2,918	–
Credit Default swaps	4	43,500	2032-2033	99	(205)
Total 2023		<u>315,610</u>		<u>24,510</u>	<u>(14,899)</u>
Total 2022		<u>857,753</u>		<u>37,553</u>	<u>(22,151)</u>

The Scheme held collateral of £5,174,000 and pledged collateral of £99,819,000 in the form of UK gilts, UK index-linked gilts and cash at the 31 March 2023 (2022: held £11,206,000 and pledged £35,553,000).

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

17. Derivatives (continued)

Forward foreign exchange

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

DB Section

Contract	No. of contracts	Currency bought '000	Currency sold '000	Asset value £000	Liability value £000
May 2023	1	AUD 192	SEK 1,321	1	–
Apr-May 2023	3	EUR 4,574	GBP 4,075	–	(52)
May 2023	2	EUR 192	Others 29,158	–	(1)
May 2023	4	EUR 435	USD 473	1	–
Apr-May 2023	13	GBP 45,564	EUR 51,348	401	(3)
May 2023	12	GBP 5,382	Others 121,381	164	–
Apr-May 2023	16	GBP 84,667	USD 103,418	1,095	–
Apr-May 2023	6	Others 35,325	EUR 1,900	6	(6)
May 2023	9	Others 13,071	GBP 582	–	(12)
Apr-May 2023	18	Others 268,378	USD 10,712	59	(17)
May 2023	1	SEK 1,330	AUD 192	–	(1)
May 2023	3	USD 3,975	EUR 3,646	9	(5)
Apr-May 2023	17	USD 42,256	GBP 35,162	–	(1,000)
May 2023	10	USD 4,732	Others 167,168	27	(5)
Total 2023				<u>1,763</u>	<u>(1,102)</u>
Total 2022				<u>2,068</u>	<u>(8,402)</u>

18. Insurance policies

	2023		
	DB Section £000	DC Section £000	Total £000
Annuities	<u>502,950</u>	<u>–</u>	<u>502,950</u>
	2022		
	DB Section £000	DC Section £000	Total £000
Annuities	<u>651,156</u>	<u>–</u>	<u>651,156</u>

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

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18. Insurance policies *(continued)*

The bulk annuity insurance policy with Phoenix Life Limited was valued by Hymans Robertson LLP using a GILTs based discount rate at £501,500,000 at 31 March 2023 (2022: £649,300,000). The value fell over the year, as UK government bond yields rose dramatically. As the Scheme's assets are designed to broadly offset the impact of changing interest rates/government bond yields and inflation on the value of the liabilities, this fall in value was also accompanied by a fall in the Scheme's liabilities.

Key assumptions

The value of the bulk annuity insurance policy with Phoenix Life Limited was set to be equal to the liabilities as determined on the basis applicable at 31 March 2023, following the principles laid out in the statement of funding principles agreed as part of the 31 March 2021 formal valuation of the Scheme (with the exception of the discount rate) and as detailed below.

Statement of Funding Principles - 31 March 2021

Discount rate (pre and post retirement)	Gilt yield curve as at 31 March 2023 (in the technical provisions calculations, flat gilts discount rate used as a proxy for a risk-free rate to value the insured liabilities, given the secure nature of the insured benefits)
Retail prices index (RPI)	Market expectation of future inflation dependent on term as measured by the difference between yields on fixed and index-linked government bonds
Consumer prices index (CPI)	Price inflation (RPI) as derived above less 1% p.a. pre-2030, and less 0% p.a. post-2030
Pension increases	In line with fixed increases or RPI inflation, subject to floors and caps as appropriate. Where floors and caps apply to the level of pension increases awarded, then these are determined by applying swap market-implied volatilities to the appropriate inflation curve.
Longevity - base tables	2021 VITA tables
Longevity - future improvements	CMI 2020 model calibrated to Club VITA experience with no weighting to 2020 data, and initial addition to improvements of 0.5% ('A' parameter), increased smoothing (Sk = 7.0) to reduce reaction to most recent data, long term rate of improvement of 1.75% p.a., tapering of long term rate to 0% p.a. over ages 90 to 120 and 'peaked' short term improvements.

In order to calculate the value of the bulk annuity insurance policy with Phoenix Life Limited, the liabilities of the 3,906 members covered by the buy-in at 31 March 2021 have been projected forward to 31 March 2023 using approximate methods allowing for changes in financial assumptions.

19. AVC investments

	2023		
	DB Section	DC Section	Total
	£000	£000	£000
Utmost Life and Pensions Limited (unit-linked)	97	—	97
Standard Life Assurance Limited (with-profits)	8	—	8
	<u>105</u>	<u>—</u>	<u>105</u>

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19. AVC investments *(continued)*

		2022	
	DB Section	DC Section	Total
	£000	£000	£000
Utmost Life and Pensions Limited (unit-linked)	104	—	104
Standard Life Assurance Limited (with-profits)	8	—	8
	<u>112</u>	<u>—</u>	<u>112</u>

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

In addition, there are AVCs of £2,022,948 (2022: £2,867,000) held within the core DB Section investments, and 27 DB Section Members (2022: 29 Members) had AVC investments in the DC Section investments managed by Aviva.

20. Cash and cash equivalents

		2023	
	DB Section	DC Section	Total
	£000	£000	£000
Cash assets			
Sterling	57,141	—	57,141
Foreign currency	2,481	—	2,481
	<u>59,622</u>	<u>—</u>	<u>59,622</u>
Cash liabilities			
Sterling	—	—	—
Foreign currency	(11,891)	—	(11,891)
	<u>(11,891)</u>	<u>—</u>	<u>(11,891)</u>
	<u>47,731</u>	<u>—</u>	<u>47,731</u>

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20. Cash and cash equivalents (continued)

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

21. Other investment balances

		2023	
	DB Section	DC Section	Total
	£000	£000	£000
Other investment balances assets			
Tax recoverable	—	—	—
Accrued income	4,244	—	4,244
Securities under reverse repurchase agreements	47,648	—	47,648
Outstanding trade sales	453	—	453
	<u>52,345</u>	<u>—</u>	<u>52,345</u>
Other investment balances liabilities			
Securities under repurchase agreements	(287,147)	—	(287,147)
Outstanding trade purchases	(790)	—	(790)
Accrued income	(3,988)	—	(3,988)
	<u>(291,925)</u>	<u>—</u>	<u>(291,925)</u>
	<u>(239,580)</u>	<u>—</u>	<u>(239,580)</u>

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21. Other investment balances *(continued)*

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

Securities under repurchase agreements

Since March 2015 as part of its change in investment portfolio and the introduction of an LDI portfolio the Scheme has entered into repurchase agreements using its UK government conventional and index linked gilts as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Scheme at their market value. At 31 March 2023 the market value of securities sold under repurchase agreements was £149.8m (31 March 2022: £507.7m).

Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under investment liabilities. At 31 March 2023 this amounted to £287.1m (31 March 2022: £521.4m).

The Scheme has also entered into reverse repurchase agreements. Amounts receivable from counterparties under reverse repurchase agreements are disclosed as assets in the Scheme's financial statements under investment assets. At 31 March 2023 this amounted to £47.6m (31 March 2022: £Nil).

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22. Defined contribution assets

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

Defined contribution investment assets are allocated as follows:

	2023 £000	2022 £000
Allocated to Members	238,920	249,794
Trustee's unallocated account	274	268
	<u>239,194</u>	<u>250,062</u>

23. Fair value determination

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

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

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

	At 31 March 2023			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Section				
Bonds	517,362	109,527	–	626,889
Pooled investment vehicles	–	57,750	31,145	88,895
Derivatives	(142)	10,589	–	10,447
Insurance policies	–	–	502,950	502,950
AVC investments	–	97	8	105
Cash and cash equivalents	47,731	–	–	47,731
Other investment balances	(81)	(239,499)	–	(239,580)
	<u>564,870</u>	<u>(61,536)</u>	<u>534,103</u>	<u>1,037,437</u>
DC Section				
Pooled investment vehicles	–	239,194	–	239,194
	<u>564,870</u>	<u>177,658</u>	<u>534,103</u>	<u>1,276,631</u>

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23. Fair value determination (continued)

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

24. Investment risk disclosures

Investment risks

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

Credit risk: the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

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

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

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24. Investment risk disclosures (continued)

DB Section

Investment strategy

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

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

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

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

Type	Market risk					2023 £'000	2022 £'000
	Direct credit risk	Indirect credit risk	Currency risk	Interest rate risk	Other price risk		
Bonds	●	○	●	●	○	626,889	1,244,033
Pooled investment vehicles							
Diversified growth funds	○	●	●	●	●	–	33,076
Property funds	○	●	○	○	●	12	29
Cash funds	○	●	○	●	○	56,139	71,818
Venture capital trusts	○	●	●	○	●	1,612	2,543
Infrastructure funds	○	●	○	●	●	31,132	28,354
Multi asset funds	○	●	●	●	●	–	51,100
Derivatives							
Futures	○	○	●	●	●	(142)	326
OTC Options	●	○	●	○	●	317	1,427
OTC Swaps	●	○	●	●	●	9,611	15,402
OTC Forward FX contracts	●	○	●	○	○	661	(6,334)
Phoenix Life bulk annuity insurance policy	●	○	○	●	●	501,500	649,300
Cash deposits	○	○	○	○	○	47,731	(2,976)
Other investment balances	●	○	○	●	○	(239,580)	(524,565)
Total						<u>1,035,882</u>	<u>1,563,533</u>

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

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24. Investment risk disclosures *(continued)*

(i) Credit risk

The DB Section is subject to direct credit risk as there is direct investments in bonds, over the counter derivative contracts, gilt repurchase agreements (contained within other investment balances) and the annuity insurance policy.

Over the counter derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. This is mitigated by daily collateralisation, by diversifying exposure across a number of counterparties and by the manager's ongoing assessment of the creditworthiness of each counterparty. Further details are provided in Note 17.

Credit risk on other investment balances (repurchase agreements) is mitigated through the use of a range of collateral arrangements as disclosed in Note 21.

Credit risk arising from the Phoenix Life bulk annuity insurance policy is mitigated through the use of a provider with the appropriate skill, processes and size to manage these assets, as well as the regulatory environment in which UK insurers operate. The Scheme is also protected by the Financial Services Compensation Scheme.

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

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

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

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

	2023	2022
	£000	£000
OEIC Fund	–	51,100
UCITS Mutual Fund	56,139	71,818
Limited Partnerships	32,756	30,926
Unit Trust	–	33,076
Total	<u>88,895</u>	<u>186,920</u>

The Scheme is also subject to indirect credit risk in relation to underlying investments held in the UCITS Mutual Fund (cash funds) and Limited Partnerships (which includes the venture capital trust, property fund and the infrastructure fund) as shown in the table above, although the proportion subject to credit risk will depend on the investment held at the time. The investment managers will consider the risk and expected reward when determining which investments to invest in. This was the case at the current and preceding year end.

24. Investment risk disclosures *(continued)*

(ii) Currency risk

The Scheme is subject to direct currency risk on the bonds and derivatives. The Scheme was also subject to currency risk indirectly because a proportion of the multi asset funds underlying investments were held in overseas markets at 31 March 2022. The currency risk arising from the Scheme's USD and EUR Corporate Bonds with Insight are fully hedged by the currency hedging mandate with BlackRock (the currency hedging mandate is held with a different manager to improve collateral efficiency as BlackRock holds the majority of the Scheme's other derivatives).

(iii) Interest rate risk

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

The mini-budget crisis in September 2022 saw extraordinary levels of volatility in long-dated index-linked gilts with 30-year gilt yields rising by over 1.5% in 3 consecutive days. Such market volatility led to collateral calls having to be met in a very short space of time, prompting the Scheme to make a number of disinvestments. These collateral calls led to a full disinvestment from the Hermes Absolute Return Credit Fund (c.£125.4m) and a partial disinvestment from the Insight Global Credit Fund (c.£155m). There was also a partial reduction in synthetic exposure within the BlackRock Volatility Controlled Equity Portfolio. Proceeds from all transitions were reinvested into the BlackRock Segregated LDI Fund to improve the Scheme's collateral availability. The increase in gilt yields has caused the value of the Scheme's liability driven investments to fall. However, the fall in the Scheme's LDI asset value was in line with the fall experienced by the Scheme's liabilities due to the Scheme's interest rate hedge. Due to the disinvestments from the return seeking portfolio the Scheme was able to maintain its hedging levels.

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

The Phoenix Life bulk annuity insurance policy is also sensitive to interest rates due to the value of the annuity policy depending on the present value of the insured cash flows. The interest rate risk is mitigated as the value of the asset and the value of the liabilities for those members covered by the insurance policy are opposite and equal.

24. Investment risk disclosures *(continued)*

(iv) Other price risk

Other price risk arises from the Scheme's property, venture capital trust and infrastructure funds, and the futures, option and swap derivatives, although this will vary depending on the investments held at the time. The managers manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and this was the case at the current and preceding year end.

The Scheme obtains equity exposure via a volatility-controlled approach. The strategy has a 10% volatility target, and the amount of equity exposure is adjusted to achieve this target. In less volatile markets, the equity exposure is increased and in more volatile markets, the equity exposure is reduced. This strategy is implemented with OTC options and OTC swaps as detailed in Note 17 which provide downside protection against a sudden fall in equity markets. During the year, the Scheme reduced its exposure to this strategy by half.

The Phoenix Life bulk annuity insurance policy is also exposed to other price risk due to the value of the annuity policy being sensitive to inflation risk. The risk is mitigated as the value of the asset and the value of the liabilities for those members covered by the insurance policy are opposite and equal.

(v) Longevity risk

The Scheme converted its longevity swap to an annuity policy with Phoenix Life Limited in June 2020.

DC Section

Investment strategy

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

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

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

The risks disclosed relate to the DC Section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee, and therefore, may face a different profile of risks from their individual choices compared with the DC Section as a whole.

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24. Investment risk disclosures *(continued)*

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

Type	Indirect		Market risk		2023 £'000	2022 £'000
	Credit risk	Currency risk	Interest rate risk	Other price risk		
Pooled investment vehicles						
My Global Shares Fund	○	●	○	●	195,142	206,518
My UK Shares Fund	○	○	○	●	961	1,058
My Diversified Growth Fund	●	●	●	●	1,231	1,556
My Diversified Growth (Active) Fund	●	●	●	●	538	699
My Property Fund	○	○	○	●	413	719
My Pre-retirement (Annuity focused) Fund	●	○	●	●	40	64
My Cash fund	●	○	○	○	940	962
My Approaching Retirement Fund	●	●	●	●	3,363	2,818
My Balanced Growth Fund	●	●	●	●	33,428	32,495
My Emerging Market Equity Fund	○	●	○	●	196	282
My Ethical Global Equity Fund	○	●	○	●	329	319
My Islamic Global Equity Fund	○	●	○	●	95	129
My Lump Sum Targeting Fund	●	●	●	●	2,518	2,443
Total					239,194	250,062

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

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24. Investment risk disclosures *(continued)*

Direct credit risk

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

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

Indirect credit and market risk

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

25. Concentration of investments

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

	2023		2022	
	£000	%	£000	%
Phoenix Life Limited bulk annuity insurance policy	501,500	39.2	649,300	35.7
Aviva My LV= Pension Plan				
Global Shares Fund XE	195,142	15.3	206,518	11.4
UK I/L Gilt 0.125 22/3/2068	n/a	n/a	116,803	6.4

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

26. Employer related investments

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

27. Current assets

	2023		Total £000
	DB Section £000	DC Section £000	
Contributions due in respect of:			
Employers	633	—	633
Other debtors and prepayments	2,093	—	2,093
Cash balances	2,746	—	2,746
	<u>5,472</u>	<u>—</u>	<u>5,472</u>

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27. Current assets (continued)

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

The contributions due at the year-end have been received by the Scheme following the year end in accordance with the Schedule of Contributions.

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

28. Current liabilities

		2023	
	DB Section	DC Section	Total
	£000	£000	£000
Unpaid benefits	353	—	353
Other creditors and accruals	3,934	—	3,934
	<u>4,287</u>	<u>—</u>	<u>4,287</u>

		2022	
	DB Section	DC Section	Total
	£000	£000	£000
Unpaid benefits	307	—	307
Other creditors and accruals	3,878	—	3,878
	<u>4,185</u>	<u>—</u>	<u>4,185</u>

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29. Related party transactions

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

Administrative expenses for the year ended 31 March 2023 of £189,000 (2022: £193,000) were charged by the Principal Employer.

As at 31 March 2023 the Scheme owed £8,300 (2022: £8,300) to the Principal Employer in respect of its administrative expenses.

The Principal Employer paid the PPF levies of £101,356 (2022: £77,448) and the group life assurance premium of £0 (2022: £254,845) for the year ended 31 March 2023.

Two Trustee Directors, including the Chair of Trustee, who is also the Scheme's independent professional Trustee Director, received payment from the Principal Employer for their services.

During the year, the total payments made to Trustee Directors for their services to the Scheme amounted to £56,477 (2022: £47,422). As at 31 March 2023 the Scheme owed £19,435 (2022: £14,637) in respect of these fees. £11,250 (2022: £nil) of these costs are recharged to the Scheme.

The other Directors nominated by the employer, Members and pensioners do not receive any remuneration for performing their duties.

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

30. Contingent liabilities and contractual commitments

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

	2023	2022
	£000	£000
Venture capital trusts commitments	248	235
Equitix infrastructure fund commitment	18	18
	266	253

In the opinion of the Trustee the Scheme had no other contingent liabilities or contractual commitments as at 31 March 2023 (31 March 2022: £Nil).

31. GMP equalisation

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

LV= EMPLOYEE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

32. Subsequent events

On 12 April and 20 April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme amounting to £242,213,196, were transferred to the LV= Future Savings section of The Aon MasterTrust.

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

1. Introduction

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

This is the third Statement produced by the Trustee and is expected to evolve overtime. This Statement:

- describes any review of the SIP undertaken during the year;
- explains any changes made to the SIP during the year and the reasons for the changes;
- sets out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and states any use of the services of a proxy voter during that year.

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This Implementation Statement covers the period 1 April 2022 to 31 March 2023, the Scheme’s reporting year, in line with regulations.

In preparing this Statement, the Trustee has had regard to the Department for Work and Pensions’ (“DWP’s”) ‘Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance’.

2. SIP Updates

The SIP that is most relevant for this reporting period is the document last updated in September 2022.

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

The SIP was reviewed and updated in September 2022 in response to changes in the Scheme’s Strategic Asset Allocation (“SAA”) and to incorporate new information about governance roles and responsibilities.

The update to the SAA section outlined how the overall benchmark allocation of the Scheme’s assets between the major asset classes was updated by the Trustee, reflecting a larger allocation to corporate bonds in particular and away from absolute return bonds and liability-driven investment (“LDI”). The SAA is periodically reviewed and amended as appropriate.

The Governance and Responsibilities update within the SIP includes an explanation of how the Trustee is working towards identifying, assessing and managing climate-related risks in line with the Scheme’s wider Risk Management Framework.

3. Overview of Trustee's Actions

Investment Objectives and Strategy

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

There were a number of material changes to the actual asset allocation over the reporting period, predominantly due to significant volatility in gilt markets towards the end of 2022 which required the Scheme to bolster its collateral reserves within the LDI portfolio. These changes began in May 2022 with the last trade completed in January 2023.

The changes to the asset allocation included full disinvestments from the Threadneedle Dynamic Real Return Fund (c.£48.1m), ASI Life Diversified Growth Fund (c.£31.6m) and Hermes Absolute Return Credit Fund (c.£125.4m). Proceeds from these transactions were reinvested into the BlackRock Segregated LDI Portfolio. There was also a partial disinvestment from the Insight Global Credit Fund (c.£155m). In Q1 2023, there was a re-investment into the Insight Global Credit Fund (c.£60m) which was solely funded from the BlackRock Segregated LDI Portfolio.

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

Trustee's policies for investment managers

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

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

Trustee's policies on Responsible Investment

The Trustee believes that it should act as a responsible steward of the assets in which the Scheme invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability. For a review of the Responsible Investment policies, please see section 5.

4. Review of SIP Policies

4.1. Objectives

The Trustee considers and monitors multiple metrics to ensure progress towards objectives (outlined below), including its primary responsibility which is to manage the Scheme such that members receive their benefits as and when they fall due. This objective was met during the reporting period. The Trustee also obtained guidance and written advice from its Investment Consultant, Redington, as appropriate. The majority of the advice was provided at Funding and Investment Sub-Committee ("FISC") meetings.

4.2. Investment Strategy

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

4.3. Strategic Asset Allocation (SAA)

The Trustee reviews the SAA regularly when appropriate to ensure that the portfolio maintains its suitability in relation to the Scheme's objectives. If issues arise outside of the Trustee's annual review, these would be flagged at the quarterly FISC meetings and discussed. The Investment Consultant communicates this to the FISC, with any advice that may be required.

The latest formal review of the SAA was undertaken in May 2022, although ongoing reviews of the SAA's suitability are conducted at a high-level, quarterly.

4.4. Balance between different kinds of investments

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

4.5. Kinds of investments to be held

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

4.6. Choosing investments

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

For pooled arrangements, the Scheme's investments are managed according to standardised fund terms. These terms are reviewed by the Scheme's legal advisors and Investment Consultant at the point of investment to ensure that they are aligned with the Scheme's long-term investment strategy and market best practice.

4.7. Risks

The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitored and managed these risks through measures specific to each risk on a quarterly basis. It sought guidance and written advice from its Investment Consultant as appropriate. One example of this was replenishing the Scheme's collateral position across Q4 2022, as a result of significant rises in government bond yields over the period.

4.8. Custody

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

4.9. Monitoring

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

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

The Trustee, with help from Redington, reviews the fees, transaction costs and turnover requirements to confirm they remain reasonable. These reviews are typically done annually, and if any of the fees, transactions costs or turnover requirements became unreasonable, this would be communicated to the Trustee and action would be taken.

4.10. Rights attaching to investments

Evidence of voting rights during the reporting period are outlined on in Section 6 of this statement.

4.11. Additional Assets

The Trustee has not made any changes to the manager arrangements during the period covered by this document. It seeks guidance and written advice from its Investment Consultant as appropriate.

5. Review of Responsible Investment Policies

5.1. Environmental, Social and Governance Factors and Stewardship

Environmental, Social and Governance (“ESG”) factors were considered in all monitoring processes over the reporting period. All of the Scheme’s Investment Managers are signatories of the UN PRI (“The United Nations Principles for Responsible Investment”).

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

Being cognisant of the DWP’s updated guidance emphasising the need for asset owners to be more “active” in their approach to stewardship, in July 2023 (after the end of the Scheme year), the Trustee updated its Stewardship Policy. Next year’s report will cover how the Scheme’s investment managers voted in relation to the updated policy.

The new Stewardship Policy states:

“We understand good stewardship to be the responsible allocation, management, and oversight of capital to create long-term value for our members, leading to sustainable benefits for the economy, the environment and society. We will aim to use our influence as an owner of assets to ensure that as far as possible best practices are reflected in terms of environmental, social and governance (“ESG”) factors, and we will hold our investment managers to account for the effective use of their influence as owners of assets.

Resourcing stewardship

Our approach to stewardship reflects our broad investment approach: our role is to hire appropriately skilled investment managers, set clear expectations, assess the quality of their performance, and hold them to account where we identify deficiencies or areas for further improvement. We, via the Funding and Investment Sub Committee (FISC), carry out our stewardship through oversight and challenge of our investment managers rather than ourselves operating as active stewards directly of the underlying assets in which we invest.

Our key areas of focus

To best channel our stewardship efforts, we believe that we should focus on a key theme. Our key theme has been selected by assessing relevance to the Scheme and its members, the financially material risks that it poses, and the maturity and development of thinking within the industry that allows for ease of integration into our approach. Our key theme is climate change.

We may choose to focus on other themes in the future as we recognise there are other sustainability-related challenges facing global societies and the natural environment.

Significance of stewardship in appointment and monitoring of investment managers

It is the responsibility of the FISC to lead our engagements with investment managers. We will not appoint new investment managers that cannot demonstrate the standards to which we hold existing investment managers. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to our key themes;*
- Provision of tailored reporting on stewardship activities and outcomes;*

We expect our investment managers to provide specific evidence they have acted in accordance with these expectations which should provide us with enough insight to ascertain whether our investment managers are practising effective stewardship that is best aligned with our long-term interests. Where we identify deficiencies we will escalate accordingly, with the ultimate response being the removal of mandates where we believe it is in the interests of our members to do so. We view incremental improvements by our investment managers as the key success measure of our own stewardship activities.

Engagement: expectations and process

We expect investment managers to engage with issuers to maintain or enhance long-term value of our investments and limit negative externalities on the planet and society. We recognise that there is no 'one-size-fits-all' stewardship approach and instead encourage our investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. We expect manager engagement with companies to be underpinned by engagement on public policy matter where relevant. We expect that these assessments and progress in stewardship activities are tracked over time, to maintain continuity of activity and to assess the effectiveness of stewardship delivery. We will challenge our investment managers when we feel their engagements are not of sufficient quality.

In order to drive corporate change, and where initial engagement has made little progress, we expect our investment managers to escalate engagement accordingly. We allow our investment managers discretion over the appropriate tools to deploy; however, we expect these to be communicated with issuers' management teams. Should there still be little progress made after escalation, we expect our investment managers to consider divestment as a final course of action.

Voting: expectations and process

We expect our managers to use as appropriate all the tools arising from their investments, including the rights and responsibilities associated with the instruments or other assets in which they invest. While we do not currently have any direct equity investments and so do not have the voting rights that are associated with such instruments, we recognise that there are rights and responsibilities associated with other asset classes.”

The Trustee discloses manager voting records to members annually in this Statement. The manager voting records are included below in Section 6.

6. Voting behaviour

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

Although the Trustee is not able to direct how votes are exercised, the voting policies of its Investment Managers align in a number of areas with the Scheme’s stewardship priorities that are outlined within the Scheme’s SIP . Examples of this alignment include how the managers will seek to enhance long-term shareholder value through constructive engagement with companies in which they invest, as well as seeking to exercise voting rights, where held, in a manner consistent with the Scheme’s long-term best interests.

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

- Threadneedle Dynamic Real Return Fund
 - Voting policy: [Link](#)
- Aberdeen Standard Investments Life Diversified Growth Fund
 - Voting policy: [Link](#)

The Trustee delegates the collation of annual manager voting data to its Investment Consultant, Redington, to assist with the preparation of its annual statement.

6.1. Columbia Threadneedle Investments (“CTI”)

Voting

Below is the voting activity over the period for the Scheme’s asset managers which held listed equities over the period from 1 April 2022 to 31 March 2023:

	Threadneedle Dynamic Real Return Fund
How many meetings were you eligible to vote at over the year to 24/06/2022*?	37
How many resolutions were you eligible to vote on over the year to 24/06/2022*?	559
What % of resolutions did you vote on for which you were eligible?	100.0%
Of the resolutions on which you voted, what % did you vote with management?	85.7%
Of the resolutions on which you voted, what % did you vote against management?	11.8%
Of the resolutions on which you voted, what % did you abstain from?	2.5%
In what % of meetings, for which you did vote, did you vote at least once against management?	64.9%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	<p>As active investors, well informed investment research and stewardship of our clients’ investments are important aspects of our responsible investment activities. Our approach to this is framed in the relevant Responsible Investment Policies we maintain and publish. These policy documents provide an overview of our approach in practice (e.g., around the integration of environmental, social and governance (ESG) and sustainability research and analysis).</p> <p>While analysing meeting agendas and making voting decisions, we use a range of research sources and consider various ESG issues, including companies’ risk management practices and evidence of any controversies. Our final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.</p>
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	N/A

* The Scheme fully disinvested from the Threadneedle Dynamic Real Return Fund on 24 June 2022

Most significant votes

Below are details of the most significant vote:

Threadneedle Dynamic Real Return Fund

- **General Motors Company, June 2022. Vote:** For.

Summary of resolution: Report on the Use of Child Labour in Connection with Electric Vehicles

Approximate size of holding as at the date of the vote: c.£49m

Rationale: Supporting better ESG risk management disclosures

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

Whether the intention to vote against management was communicated to the company ahead of the vote: No

Outcome of the vote: Fail

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

6.2. Aberdeen Standard Investments (“ASI”)

	ASI Life Diversified Growth Fund
How many meetings were you eligible to vote at over the year to 21/09/2022*?	453
How many resolutions were you eligible to vote on over the year to 21/09/2022*?	6,771
What % of resolutions did you vote on for which you were eligible?	97.6%
Of the resolutions on which you voted, what % did you vote with management?	86.1%
Of the resolutions on which you voted, what % did you vote against management?	13.3%
Of the resolutions on which you voted, what % did you abstain from?	0.5%
In what % of meetings, for which you did vote, did you vote at least once against management?	64.9%

Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Aberdeen Standard Investment utilise the services of ISS for all our voting requirements. Proxy voting decisions are made in accordance with the principles established in the Aberdeen Standard Investment Proxy Voting Principles (Principles) document provided on the website: https://www.abrdn.com/docs?editionId=08bef34e-1287-404f-8196-03393c3fb91e
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	9.5%

* The Scheme fully disinvested from the ASI Life Diversified Growth Fund on 21 September 2022

Most significant votes

Below are the details of the most significant vote:

ASI Life Diversified Growth Fund

- **FedEx Corporation, September 2022. Vote:** Against.

Summary of resolution: Report on Racism in Corporate Culture

Approximate size of holding as at the date of the vote: c.£32m

Rationale: This proposal is onerous as the company has a number of practices in place to address and report on racism in corporate culture. These include disclosure in its ESG report, oversight mechanisms to ensure DEI standards are met and various initiatives to promote DEI.

Criteria for which vote has been assessed as “most significant”: Significant Vote Category 2 (“SV2”): Shareholder and Environmental & Social (E&S) Resolutions

Outcome of the vote: Fail

Signed: Huw Evans

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

Dated: 20 September 2023