

## **Northern Bank Pension Scheme**

Annual Report and Financial Statements for the year  
ended 31 December 2023

Pension Scheme Registry Number: 10015013

# Table of Contents

<b>Section</b>	<b>Page</b>
A Trustee and its Advisors	1-3
B Report of the Trustee	4-9
C Investment Report	10-16
D Statement of Trustee's Responsibilities for the Financial Statements	17-18
E Independent Auditor's Report to the Trustee of the Northern Bank Pension Scheme	19-23
F Fund Account	24
G Statement of Net Assets (Available for Benefits)	25
H Notes to the financial statements (forming part of the Financial Statements)	26-47
I Compliance Statement	48-49
J Further Information	50-51
K Independent Auditor's Statement about Contributions to the Trustee of the Northern Bank Pension Scheme	52-53
L Statement of Trustee's Responsibilities in respect of Contributions and Trustee's Summary of Contributions	54-55
Appendices	56-65
Appendix 1 – Actuarial Statements (including the Actuary's Certification of Schedule of Contributions and the Report on Actuarial Liabilities)	
Appendix 2 – Implementation Statement (Statement of Compliance with the Northern Bank Pension Scheme's Stewardship Policy for the year ending 31 December 2023)	

## A TRUSTEE AND ITS ADVISORS

### The Trustee

Northern Bank Pension Trust Limited is the Corporate Trustee of the Northern Bank Pension Scheme (“Scheme”). The names of the Directors at the date of approval of this report are set out below. There were no changes to the Directors or to the Secretary of the Trustee Company during 2023 nor up to the date of approving the financial statements.

### **Directors of the Corporate Trustee**

*Nominated by the employer:*

N Chadha (Chairman)  
PAN Trustees UK LLP, represented by Mike Roberts and Jon Walters

### **Secretary to the Trustee**

WTW, represented by A Rutherford and R Cooper

### **Principal employer**

Northern Bank Limited  
Donegall Square West  
Belfast  
BT1 6JS

### **Participating employer**

Danske Bank A/S  
Holmens Kanal 2-12  
DK 1092  
Copenhagen  
Denmark

*(Danske Bank A/S ceased to be a participating employer in the Scheme on 8 September 2023, which triggered a Section 75 Debt. It was agreed that the Bank contribution in September 2023 to facilitate the purchase of the annuity policy would also cover the Section 75 Debt. The Section 75 Debt was calculated and certified in April 2024.)*

## A TRUSTEE AND ITS ADVISORS (*CONTINUED*)

### Advisors

The advisors to the Corporate Trustee are set out below. Changes to the advisors of the Trustee Company during 2023 are detailed in the Compliance Statement on page 48 of this report.

#### **Scheme Actuary**

C Downie  
 WTW  
 1st Floor  
 2 Semple Street  
 Edinburgh  
 EH3 8BL

#### **Legal Advisors**

Sackers & Partners LLP  
 20 Gresham Street  
 London  
 EC2V 7JE

Burges Salmon LLP  
 One Glass Wharf  
 Bristol  
 BS2 0ZX

#### **Administrator**

Equiniti  
 Sutherland House  
 Russell Way  
 Crawley  
 West Sussex  
 RH10 1UH

#### **Pensioner Payroll**

MHR  
 Ruddington Hall  
 Ruddington  
 Nottinghamshire  
 NG11 6LL

#### **Auditor**

Deloitte LLP  
 Lincoln Building  
 27-45 Great Victoria Street  
 Belfast  
 BT2 7AQ

#### **Investment Advisor**

Hymans Robertson LLP  
 Exchange Place One  
 1 Semple Street  
 Edinburgh  
 EH3 8BL

#### **Consultancy Services**

WTW  
 1st Floor  
 2 Semple Street  
 Edinburgh  
 EH3 8BL

Lane Clarke & Peacock LLP  
 95 Wigmore Street  
 London  
 W1U 1DQ

KPMG LLP  
 Advisory  
 Saltire Court  
 20 Castle Terrace  
 Edinburgh  
 EH1 2EG

PricewaterhouseCoopers LLP  
 Atria One  
 144 Morrison Street  
 Edinburgh  
 EH3 8EX

#### **Bankers**

Northern Bank Ltd (t/a Danske Bank)  
 Donegall Square West  
 Belfast  
 BT1 6JS

Danske Bank A/S  
 Holmens Kanal 2-12  
 DK – 1090 Copenhagen

**AVC Providers**

Standard Life Assurance Limited  
Standard Life House  
30 Lothian Road  
Edinburgh  
EH1 2DH

Northern Bank Ltd (t/a Danske Bank)  
Donegall Square West  
Belfast BT1 6JS

**Investment Manager**

BlackRock  
Drapers Gardens  
12 Throgmorton Avenue  
London EC2N 2DL

**Bulk Purchase Annuity Providers**

Prudential Assurance Company Limited  
Laurence Pountney Hill  
London  
EC4R 0HH

Aviva Life & Pensions UK Limited  
Wellington Row  
York  
YO90 1WR

**Global Custodian**

The Bank of New York Mellon, London  
Branch  
One Canada Square  
Canary Wharf  
London E14 5AL

**Property Managers**

Osborne King  
6-9 Donegall Square South  
Belfast  
BT1 5JA

Savills  
33 Margaret Street  
London  
W1G 0JD

## **B REPORT OF THE TRUSTEE**

### **Introduction**

The Trustee presents its annual report and the audited financial statements of the Northern Bank Pension Scheme for the year ended 31 December 2023.

The Scheme was established under a Trust Deed and is a registered pension scheme for the purposes of the Finance Act 2004. The Scheme is a Defined Benefit scheme and was closed to future accrual on 30 September 2018. The Trustee holds Scheme funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed and Rules. Members were previously contracted-out of the additional component of the State Second Pension (S2P) on the salary-related basis until 5 April 2016.

### **Management of the Scheme**

The Principal Employer is responsible for appointing Directors to the Board of the Corporate Trustee. The power of appointment and removal of the Corporate Trustee is exercisable by the Principal Employer. The power of appointment and removal of the Directors of the Corporate Trustee is exercisable under the Memorandum and Articles of Association of the Corporate Trustee.

The Trustee is responsible for ensuring that all benefits are paid correctly as well as keeping members fully informed on matters concerning the Scheme, the monitoring of the administration and investment performance of the Scheme and deciding upon the long-term strategy. Note that during the year a number of changes were made to the investment strategy of the Scheme as a result of the decision to purchase a further insurance policy to cover most of the remaining liabilities under the Scheme; these are outlined in the Investment Report on pages 10 to 16. The Trustee continues to remain responsible for reviewing and monitoring the systems and structures the Scheme has in place to create an effective system of governance.

### **Corporate Trustee Meetings during the year**

There were thirty-five Board meetings during the year ended 31 December 2023 at which matters relating to the operation and administration of the Scheme were considered. This included Joint Working Group meetings held during which the Trustee received and considered advice in relation to the buy in policy which was secured with Prudential Assurance Company Limited (“Prudential”) in September 2023 and the follow-on work. During the year the Board received reports from the Scheme’s Administrators, Investment Advisors, Scheme Consultants, Scheme Actuary and

Property Managers, and considered ongoing matters through scheduled quarterly Scheme Administration focused meetings or Monthly Trustee catch up meetings.

### **Custody of Investments**

The Bank of New York Mellon, London Branch, provides custodial services to the Northern Bank Pension Scheme in respect of the collateral (ring-fenced pool of assets) provided by Prudential under the terms of the Bulk Purchase Annuity Policy established on 31 December 2013 and subsequently adjusted on 1 February 2015 and managed under the terms of the Account Control Agreement. The Bank of New York Mellon, London Branch, also provides custodial services to the Northern Bank Pension Scheme in respect of Scheme assets managed by BlackRock. Note, with the change in the Scheme's investment strategy during 2023 as outlined in the Investment Report on pages 10 to 16, the contractual relationships with The Bank of New York Mellon, London Branch, and Blackrock are being adjusted to fit the needs of the Scheme.

### **Rule changes**

There were no Rule changes made during the year to 31 December 2023. In October 2022, an amendment to the Rules was implemented which introduced increased flexibility for those members no longer employed by the Bank who wish to retire after their Normal Retirement Date (NRD).

### **Administration expenses**

The costs associated with the administration of the Scheme were borne directly by the Scheme.

### **Financial development of the Scheme**

The net assets of the Scheme as at 31 December 2023 amounted to £942,685k (2022: £887,264k). The Financial Statements are set out in further detail on pages 24 to 47 and the Investment Report is set out on pages 10 to 16 of this report.

The financial statements have been prepared and audited in accordance with regulations made under Article 41 (1) and (6) of the Pensions (Northern Ireland) Order 1995. These show how the Scheme's finances have developed over the year. The notes to the financial statements give further information on the various figures shown.

### **Contributions**

The employing companies and the Trustee agree a Schedule of Contributions setting out the rates and dates at which contributions are to be made to the Scheme. Following the conclusion of the Actuarial Valuation as at 31 December 2021 a revised Schedule of Contributions dated 20 January 2023 was agreed. Following the change in investment strategy later in the year as outlined in the Investment Report on pages 10 to 16, further changes were made to the Schedule of Contributions

which removed the requirement in the previous Schedule of Contributions for the Bank to make expense contributions of £1m per annum. The new Schedule of Contributions also included a new contribution top-up framework to ensure the residual Scheme assets be maintained above a certain level. The new Schedule of Contributions was agreed and signed on 20 November 2023. Prior to the new Schedule of Contributions being agreed, the payments under the previous Schedule of Contributions had to be submitted by the 19<sup>th</sup> of the month following collection.

No employee contributions were made during 2023. Employer contributions (including employer contributions covering PPF levies) were remitted during 2023 in accordance with the Schedules of Contributions, dated 26 March 2020 and 20 January 2023. The employer also made early retirement funding cost contributions to the Scheme (at a level agreed by the Scheme Actuary) in respect of augmented early retirement benefits.

### Changes in and other matters relation to Scheme advisors

Mr Stephen Yate FFA resigned as Scheme Actuary with effect from 18 August 2023. As required by Regulations made under the Pensions Act 1995, it was confirmed in his notice of resignation that he knew of no circumstances connected with his resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme. Mr Colin Downie FFA was appointed as Scheme Actuary with effect from 18 August 2023.

### Actuarial Position

An actuarial valuation is carried out at least every three years, with the most recent valuation being carried out as at 31 December 2021. The 2021 valuation was concluded in January 2023. Details of the 2021 valuation are shown in the Report on Actuarial Liabilities (page 57).

The next actuarial valuation will be carried out as at 31 December 2024, with results expected in 2025.

In accordance with the terms of the Funding Agreement (agreed between the Trustee and the Bank at time of Scheme closure), an ‘Escrow account’ was held by the Bank at Danske Bank A/S, London Branch, over which the Trustee held a legal charge. Prior to September 2023, the balance in this account did not fall below £30m. However, following the change in investment strategy as outlined in the Investment Report on pages 10 to 16, the Funding Agreement was replaced with a Pensions Framework Agreement between the Trustee and Northern Bank Limited (“the Bank”). As part of this, the Escrow account was closed and the £30m contained within was released to the Scheme, of



which c£25.4m was used to meet the buy-in premium entered in to in September 2023 and a reserve for GMP equalisation, with the balance being held as an expense reserve within the Scheme.

### Pension Increases

Pensions in payment and deferment are reviewed annually by the Trustee in consultation with the Principal Employer and the Scheme Actuary. Where the Rules do not specifically provide for increases, discretion may be exercised as to the level of increases awarded. No discretionary increases were awarded during the year.

Pensions in payment attributable to service in the Northern Bank Pension Scheme were increased on 1 March 2023 in accordance with the Trust Deed and Rules. Pensions in excess of the Guaranteed Minimum Pension (GMP) and attributable to service up to 5 April 1997 were increased by 2.5%. Pensions attributable to service from 6 April 1997 to 31 December 2007 (including former 'Supplemental Fund' pensions) were increased by 5.0%. Pensions attributable to service from 1 January 2008 were increased by 2.5%.

Pensions in payment in excess of GMP and attributable to service in the Danske Bank (2004) Pension Scheme (the assets and liabilities of which were merged into the Northern Bank Pension Scheme on 31 December 2008) were increased with effect from 1 March 2023 by 5.0% in respect of service up to 20 July 1997, by 5.0% in respect of service from 21 July 1997 to 5 April 2005 and by 2.5% in respect of service from 6 April 2005.

The following increases (GMP excess) were made to pensions in payment during the last 10 years.

<b>Year</b>	<b>In respect of NBPS service to 05/04/97</b>	<b>In respect of NBPS service from 06/04/97 to 31/12/07</b>	<b>In respect of NBPS service after 31/12/07</b>	<b>In respect of DBPS service to 20/07/97</b>	<b>In respect of DBPS service from 21/07/97 to 05/04/05</b>	<b>In respect of DBPS service after 05/04/05</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
2023	2.5	5.0	2.5	5.0	5.0	2.5
2022	2.5	5.0	2.5	5.0	3.1	2.5
2021	0.3	0.9	0.9	5.0	0.5	0.5
2020	1.5	2.2	2.2	5.0	1.7	1.7
2019	2.3	3.2	2.5	5.0	2.4	2.4
2018	2.5	3.9	2.5	5.0	3.0	2.5

**NORTHERN BANK PENSION SCHEME****Annual Report and Financial Statements for the year ended 31 December 2023****8**

2017	1.2	2.2	2.2	5.0	1.0	1.0
2016	0.1	1.1	1.1	5.0	0.0	0.0
2015	1.0	2.0	2.0	5.0	1.2	1.2
2014	2.1	2.6	2.5	5.0	2.7	2.5

Deferred pensions not yet in payment were increased during the year by the level determined by statutory requirements.

**Fund membership**

The number of members and beneficiaries of the Scheme as at 31 December 2023 was as follows:

	<b>2023</b>	<b>2022</b>
Active Deferred members	482	507
Active pensioners (flexible retirement)	11	11
Pensioners	2,491	2,468
Dependants of former members	242	227
Deferred members	1,256	1,290
	<u>4,482</u>	<u>4,503</u>

The Scheme was closed to new joiners with effect from 1 January 2004.

**Scheme Closure**

Following its consultation with Active Members on future benefits of the Northern Bank Pension Scheme, the Bank's decision led to the closure of the Scheme to future accrual on 30 September 2018. Active-deferred members were permitted to make Additional Voluntary Contributions until 30 September 2019.

**Key Risks to the Scheme**

The Trustee continues to monitor events relating to the geo-political uncertainty (such as the conflict in Ukraine and the middle east). Following the change in investment strategy during 2023 as outlined in the Investment Report on pages 10 to 16, the risk exposure to the Scheme has changed and is detailed in the Notes to the Financial Statements on pages 26 to 47. As of 31 December 2023, most of the remaining Scheme liabilities have been secured by buy in policies, the asset side risks are mostly passed to the insurance companies. In addition to the buy in provider / insurer regime failure risks, the other key risks impacting the Scheme are in relation to liquidity risk, funding risk, sponsor risk, custody risk, systemic risk, interest rate risk and other price risk.

The Trustee will continue to monitor and mitigate against the key risks with the support of its advisors. The work to equalise GMPs is a major undertaking which the Trustee is carrying out in stages. The Trustee is monitoring the Virgin Media Ltd v NTL Pension Trustees case and continues to assess the impact on the Scheme. The Trustee is satisfied that the impact of these events do not affect the approval of these financial statements, nor does it require them to be adjusted.

**Approval of the Report of the Trustee**

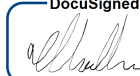
The Investment Report, Compliance Statement and the Implementation Statement included in this Annual Report and Financial Statements form part of the Report of the Trustee.

Signed for and on behalf of the Trustee of the Northern Bank Pension Scheme by:

Signed by:  
  
Director: .....  
26E07FC22516470.....

Mike Roberts

Date: 30 July 2024

DocuSigned by:  
  
Director: .....  
7AE140F97BC841E.....

Nicholas Chadha

Date: 30 July 2024

## C INVESTMENT REPORT

This investment report forms part of the report of the Trustee.

### **Investment policy**

The Trustee has produced a Statement of Investment Principles (“SIP”) in accordance with Article 35 of the Pensions (Northern Ireland) Order 1995 (as amended). The SIP was last updated in November 2023. A copy is available on the Scheme’s website ([www.northernbankpensionscheme.co.uk](http://www.northernbankpensionscheme.co.uk)) or upon request from the Scheme Administrator.

PAN Trustees UK LLP are acting as sole Trustee of the Scheme and are responsible for all investment matters.

### **Investment strategy**

The Scheme’s asset portfolio as at 31 December 2023 was comprised of buy-in annuity policies, residual cash and one property asset which is intended to be sold.

The insurance buy-in policies held with Prudential Assurance Company Limited (“Prudential”) and Aviva Life & Pensions UK Limited (“Aviva”) are expected to cover the majority of the Scheme’s benefit obligations. Under these policies, Prudential and Aviva make monthly payments to the Scheme to cover benefit payments to members. The Trustee holds three separate buy-in policies:

- The first Prudential buy-in policy covers pensions in payment as at 31 December 2013. This policy was subsequently adjusted to take account of additional retirees to 1 February 2015 and other membership changes. The Prudential policy represents around 46% of the value of the Scheme’s total liabilities.
- The Aviva buy-in policy covers pensioners who retired following the completion of the first Prudential buy-in, and prior to 1 June 2020. This policy was subsequently adjusted to take account of pensions in payment on 6 October 2021. The Aviva policy represents around 18% of the value of the Scheme’s total liabilities.
- The second Prudential buy-in policy covers all members not covered by the two previous insurance policies (i.e., members retiring after 6 October 2021 and all deferred members). This policy represents around 36% of the value of the Scheme’s total liabilities.

## C INVESTMENT REPORT (*CONTINUED*)

The Trustee expects the purchase of these bulk annuities, and the resulting monthly payments from Prudential and Aviva, to immunise the Fund from market risks such as credit risk, interest rate risk, inflation risk and longevity risk associated with the Scheme's liabilities.

The Scheme also holds residual assets in cash to cover the implementation of GMP equalisation and future Scheme expenses (including the cost of liability data cleansing), and also retains ownership of one direct property which it is intended be sold. An interest free loan from the Employer is secured against the property which will be repaid following its sale.

The Trustee's objectives are documented within the SIP. These are as follows:

- The Trustee's statutory funding objective is that the Scheme should have sufficient and appropriate assets to cover its liabilities i.e. member benefit payments as and when they arise.
- The Trustee has entered buy-in contracts with Prudential and Aviva. The policies have not been structured with expected return in mind, but instead are expected to secure the benefits of all Scheme members in return for the initial payment of a buy-in premium.

The Trustee believes that these objectives will ensure that the assets are invested in the best interests of the members and beneficiaries of the Scheme. The Trustee does not foresee these objectives giving rise to any conflict with the interests of the members and beneficiaries, but if a potential conflict arose, the Trustee would take steps to ensure that the assets were invested in the sole interest of members and other beneficiaries. The Trustee intends to ensure that the investment objectives are consistent with the Scheme's Statement of Funding Principles.

The Trustee has identified and acknowledged the risks inherent in its strategy to secure the Scheme's liabilities with insurers but believes that the policies in place are suitable given the stated investment objectives. A key potential risk relates to the insurance regime – the risk of failure within the UK insurance sector impacting the ability of Prudential and Aviva to meet their obligations under the insurance policies held by the Scheme. The other risks which the Scheme is exposed to after execution of buy in contracts with insurers are Liquidity Risk, Funding Risk, Sponsor Risk, Custody Risk and Systemic Risk. These risks are smaller than previously given the insurance contracts in place.

## C INVESTMENT REPORT (*CONTINUED*)

The Trustee recognises that the consideration of financially material factors, including Environmental, Social and Governance (“ESG”) factors, is relevant at various stages of the investment process. The Trustee expects that Prudential and Aviva will take account of all financially material factors, including the potential impact of ESG issues, in investment decision-making and the implementation of their mandate.

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement with investment managers and the monitoring of compliance with agreed policies. Given that the Scheme’s assets are mainly comprised of bulk annuities held with insurers, a single property asset and residual cash, stewardship and voting are now of reduced relevance for the Scheme. This is covered further in the Scheme’s Implementation Statement (an appendix to this report).

### **Key changes during year**

There were a number of significant changes to the Scheme’s investment arrangements over the course of 2023, including preparation for and implementation of the 2023 Prudential buy-in:

- In July and August 2023, the Scheme’s equity and credit assets were sold in order to better align the Scheme’s asset portfolio with the insurance price lock portfolio set out by Prudential.
- In August and September 2023, the Scheme’s Liability Driven Investment portfolio was restructured by Blackrock to align with the target buy-in portfolio. This also involved an increase in the Scheme’s target hedge ratios to 106% for interest rates and 122% for inflation.
- In September 2023, the buy in transaction was formally executed. The value of the price lock assets transferred to Prudential was £265.2m (based on 15 September 2023 valuations). Additional cash transfers of £1.7m and £0.3m were made to cover government bond coupons and accrued property rent respectively, both due to the insurer as part of the buy-in agreement.
- The Scheme’s Tesco property was transferred to Prudential as part of the insurer buy-in and the Scheme obtained an interest free term loan of £8.7m from the Employer, secured on the M&S property (to be reimbursed once the property is sold in due course) to facilitate the Prudential buy in. The purchase price was therefore funded by a combination of the value of the price lock assets as above and the transfer of the Tesco property as noted.

## C INVESTMENT REPORT (*CONTINUED*)

### Asset valuation summary

Asset Class	Segregated Funds (£000)	Pooled Investment Vehicles (£000)	Total (£000)	%
Insurance policies – bulk annuity <sup>1</sup>	938,100	-	938,100	99.8
Equities	-	1	1	0.0
Property <sup>2</sup>	8,350	-	8,350	0.9
Managed Account <sup>3</sup>	1,744	-	1,744	0.2
AVC investments	687	-	687	0.1
Other investment balances	(8,700)	-	(8,700)	(1.0)
<b>Total <sup>4</sup></b>	<b>940,181</b>	<b>1</b>	<b>940,182</b>	<b>100.0</b>

1 Note that the Insurance Policies include bulk annuities held with Prudential and Aviva.

2 Valuation as at 31 December 2023 for the M&S property provided by Osborne King

3 Note that the segregated Managed Account contained a pooled liquidity fund holding of £1,726k as at 31 December 2023

4 Totals may not agree due to rounding differences. Note that this excludes the Trustee Bank Account balance.

### Insurance Policies

The Trustee purchased an insurance policy (known as a ‘buy-in’) from Prudential Retirement Income Limited, a wholly owned subsidiary of The Prudential Assurance Company Limited, on 8 April 2015. The insurance policy is an asset of the Scheme, under which Prudential pays a monthly income to the Scheme in respect of specified pensioners and their dependants.

The insurance policy initially covered liabilities in respect of pensions in payment on 31 December 2013, however under the policy terms, the cover was extended to cover liabilities in respect of pensions in payment (excluding ‘Active Pensioner’ liabilities) on 1 February 2015. A balancing payment (which also accounted for pensioner changes following a ‘small pot / trivial commutation’ exercise in 2015) was paid to Prudential in October 2016.

## C INVESTMENT REPORT (*CONTINUED*)

Whilst the policy fully covers the liabilities of the specified members, prior to January 2024, it did not exactly match the liabilities, but instead paid a fixed 2.5% increase per annum for those pre-6 April 1997 pensions which receive increases under the rules at CPI capped at 2.5% per annum. This led to a surplus value in the policy, over the liabilities covered by the policy. In January 2024, the policy was amended to align the pension increases with those paid in accordance with the Scheme's rules. As at 31 December 2023 the value of the asset relating to this over-insurance element was £NIL.

The policy is held for the benefit of the Scheme and not for individual members. Under the policy, Prudential is required to hold collateral with an independent third-party custodian in a ring-fenced pool of assets, which must be maintained at agreed levels during the life of the policy. Note the collateral arrangement was unwound in January 2024 following agreement with Prudential.

On 23 September 2021, the Trustee purchased a second buy-in insurance policy, this time from Aviva Life and Pensions UK Limited. This policy is also an asset of the Scheme, under which Aviva pays a monthly income to the Scheme in respect of specified pensioners and their dependants.

The insurance policy initially covered liabilities in respect of retirees between the cut-off date for pensioners covered under the Prudential Policy (1 February 2015) and 30 May 2020, however under the policy terms, the cover was extended to cover liabilities in respect of pensions in payment (excluding 'Active Pensioner' liabilities) on 6 October 2021.

On 27 September 2023, the Trustee purchased a third buy-in insurance policy, again from Prudential, which covers all members not covered by the two previous insurance policies (i.e., members retiring after 6 October 2021 and all deferred members). The policies are held for the benefit of the Scheme and not for individual members.

### **Residual cash and property holding**

As at 31 December 2023, the Scheme holds residual assets in cash (amounting to £1.74m) and further cash in the Trustee Bank Account (amounting to £3.9m to cover the implementation of GMP equalisation and future Scheme expenses).

The Scheme also retains ownership of one direct property in 10 Pond Street, Hampstead, London which is a supermarket investment and was acquired in May 2010. A loan from the Employer is secured against this property which will be repaid following its sale.



## C INVESTMENT REPORT (*CONTINUED*)

The property is let to Marks & Spencer plc under a long-term lease expiring January 2031 and was valued by Osborne King at 31 December 2023 at £8,350,000.

The residual assets in cash are to cover GMP equalisation and expenses, and any residual un-insured liabilities.

### **Market Background**

Global growth was more resilient than expected in 2023 (especially in last two quarters), as strong labour markets and fiscal support buoyed consumer spending, particularly in the US. Business surveys highlighted that activity was stronger in the labour-intensive service sector than in the capital and energy-reliant manufacturing sector. Europe has been a particularly weak spot, given the region's greater exposure to the latter.

Year-on-year headline CPI in the UK and eurozone fell to 3.9% and 2.4% in November 2023, from 7.9% and 5.5% in June 2023, respectively. US headline rose from 3.0% in June 2023 to 3.1% in November 2023 but was still lower than expected. Core inflation, which excludes volatile energy and food prices, fell to 5.1%, 4.0%, and 3.6% in the UK, US and eurozone.

The Federal Reserve and Bank of England both raised rates 0.25% pa in Q3 2023, to 5.5% pa and 5.25% pa, respectively, while the European Central Bank raised its deposit rate by 0.5% pa, to 4.0% pa. Given larger-than-expected falls in inflation, the major central banks left rates unchanged in Q4 2023, and the extent of interest-rate cuts expected by the markets in 2024 rose dramatically towards the end of the year.

Given shifts in expected interest rates, the trade-weighted US dollar and sterling fell by 1.1% and 0.8%, respectively, while the equivalent euro measure rose by 0.8%. Trade-weighted Japanese yen rose 0.9% as bond yields rose in Japan while they fell or stayed the same elsewhere.

UK 10-year yields fell 0.9% pa, to 3.5% pa, while equivalent German yields fell around 0.4% pa, to 2.0% pa. After reaching post-Global Financial Crisis highs in October 2023, US 10-year yields fell dramatically. Yields ended the period where they started, at 3.9% pa. Japanese 10-year yields rose 0.2% pa, to 0.6% pa, as the Bank of Japan loosened its yield curve control policy.

Credit spreads fell as global recession and debt affordability concerns eased. Sterling investment-grade yields fell 1.4% pa, as a 0.4% pa fall in credit spreads supplemented the fall in underlying gilt yields. Global speculative-grade credit spreads declined by 0.7% pa, to 3.8% pa.

The FTSE All World Total Return Index rose 6.9% in local-currency terms. North American equities notably outperformed, given their exposure to the technology sector. All other regions underperformed but still produced positive returns. Europe ex-UK faced the worst underperformance, given the relatively weaker economic backdrop and exposure to goods and manufacturing. Alongside technology, financials also outperformed. The more defensive sectors were the largest underperformers.

## C INVESTMENT REPORT (*CONTINUED*)

The MSCI UK Monthly Property Index fell 1.3% over the last 6-month period as income was offset by capital value declines. Values fell most sharply in the retail and office sectors, which are down 5.6% and 16.6%, respectively, over the last 12-months. Industrial capital values also fell 0.2% in H2 2023, following seven consecutive months of growth, before stalling in October 2023.

### **Scheme performance**

The final buy in was executed with Prudential in Q3 2023 and the Scheme's equity and credit assets were disinvested over the summer, so this report is focussed on investment performance for the first half of the year.

The performance (gross of fees) of the Scheme's assets (excluding the buy-in policies) over one year, three-year and five-year periods ending 30 June 2023 was as follows:

	<b>12 months</b>	<b>3 years (p.a.)</b>	<b>5 years (p.a.)</b>
Portfolio Return	-23.9%	-18.7%	-7.3%

The impact of investment management fees is to reduce gross returns by approximately 0.1% p.a.

The negative portfolio performance was mainly due to the impact of the significant increase in interest rates over the course of 2022, particularly following the UK Government's mini budget in September 2022. This upward pressure on UK gilt yields, as well as sticky inflation data compounded by BoE gilt sales, led to a material fall in the value of the Scheme's liabilities and therefore a resulting fall in matching assets, particularly the Scheme's Liability Driven Investment portfolio.

Also, during the same period, investment-grade credit market recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads resulting in negative returns posted by the credit portfolio of the Scheme.

Overall, the funding level (Scheme assets / Scheme liabilities) remained strong, as demonstrated by the successful completion of a full insurance buy-in in the third quarter of 2023, which effectively removes investment and funding risk for the Scheme going forward.

## D STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The financial statements, which are prepared in accordance with United Kingdom 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 that 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 the Regulation 3a of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 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 preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

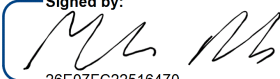
**D STATEMENT OF TRUSTEE’S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (CONTINUED)**

**Trustee Responsibilities in Respect of Contributions**

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 of the Scheme and the dates on or before which such contributions are to be paid.

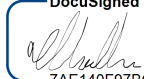
The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustee is required by the Pensions (Northern Ireland) Order 1995 and 2005 to consider making reports to The Pensions Regulator and the members.

On behalf of the Trustee of Northern Bank Pension Scheme by:

Signed by:  
  
Director.....  
26E07FC22516470.....

Mike Roberts

Date: 30 July 2024

DocuSigned by:  
  
Director.....  
7AE140F97BC841E.....

Nicholas Chadha

Date: 30 July 2024

## **E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of the Northern Bank Pension Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2023 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 (Northern Ireland) 1997, made under the Pensions (Northern Ireland) Order 1995.

We have audited the financial statements which comprise:

- the Fund Account;
- the Statement of Net Assets (Available for Benefits); and
- the related notes 1 to 27.

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).

#### **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.

## **E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)**

### **Basis for opinion (continued)**

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and 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 course of 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.

## **E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)**

### **Responsibilities of Trustee**

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the Scheme's industry and its control environment and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws

## **E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)**

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the Scheme's business sector.

We obtained an understanding of the legal and regulatory framework that the scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions (Northern Ireland) Order 1995 and the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed among the audit engagement team, including internal actuarial and property specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.



## E INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME (*CONTINUED*)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### 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 (Northern Ireland) 1997 made under the Pensions (Northern Ireland) Order 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
*Deloitte LLP*  
0946AD28A6C54CC...

Deloitte LLP  
Statutory Auditor  
Belfast, United Kingdom

Date: 30 July 2024

## F FUND ACCOUNT

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Contributions and benefits</b>			
Contributions receivable			
- Employer	4	31,401	2,096
		<u>31,401</u>	<u>2,096</u>
Benefits paid or payable	5	(39,135)	(38,685)
Payments to and on account of leavers	6	(625)	(8,786)
Administrative expenses	7	(2,883)	(1,530)
		<u>(42,643)</u>	<u>(49,001)</u>
<b>Net withdrawals from dealings with members</b>		<u>(11,242)</u>	<u>(46,905)</u>
<b>Returns on investments</b>			
Investment income	8	42,354	53,146
Investment management expenses	9	(622)	(1,090)
Change in market value of investments	10	24,931	(552,344)
<b>Net returns on investments</b>		<u>66,663</u>	<u>(500,288)</u>
<b>Net increase/(decrease) in the fund during the year</b>		55,421	(547,193)
<b>Total net assets of the scheme at 1 January</b>		887,264	1,434,457
<b>Total net assets of the scheme at 31 December</b>		<u>942,685</u>	<u>887,264</u>

The notes on pages 26 to 47 form part of these Financial Statements.

## G STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

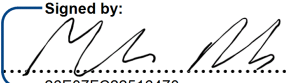
As at 31 December 2023

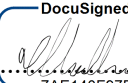
	Notes	2023 £'000	2022 £'000
<b>Investment assets</b>	10		
Bonds		-	173,085
Pooled investment vehicles	11	1,727	186,362
Derivatives	12	-	1,949
Insurance policies	13	938,100	591,800
Property	14	8,350	34,900
AVC investments	15	687	704
Cash deposits	16	18	-
		<u>948,882</u>	<u>988,800</u>
<b>Investment liabilities</b>			
Derivatives	12	-	(685)
Repurchase agreements	17	-	(99,700)
Cash deposits	16	-	(1,184)
Other investment balances	17	(8,700)	(594)
		<u>(8,700)</u>	<u>(102,163)</u>
<b>Total investments</b>	10	<u>940,182</u>	<u>886,637</u>
<b>Current assets</b>	21	3,949	1,829
<b>Current liabilities</b>	22	(1,446)	(1,202)
<b>Total net assets of the Scheme at 31 December</b>		<u>942,685</u>	<u>887,264</u>

The notes on pages 26 to 47 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take into account any obligation to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities (page 58) and the Actuarial Certificate included in the Annual Report and these Financial Statements should be read in conjunction with them.

Signed for and on behalf of the Trustee of the Northern Bank Pension Scheme by:

Signed by:  Mike Roberts  
 Director: .....  
28E07FC22516470...

DocuSigned by:  Nicholas Chadha  
 Director: .....  
7AE140F97BC841E...

Date: 30 July 2024

Date: 30 July 2024

## H NOTES TO THE FINANCIAL STATEMENTS

### 1 Background

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and the guidance set out in the Statement of Recommended Practice (revised November 2018).

### 2 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report (page 2).

### 3 Accounting Policies

#### **a) Contributions**

Employer contributions are accounted for on an accruals basis at rates agreed between the Trustee and the employer based on the recommendation of the actuary. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid. Other employer contributions are accounted for in accordance with the agreed arrangements.

#### **b) Benefits**

Pensions in payment are accounted for in the period to which they relate. Benefits are accounted for in the period in which the members notify the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

#### **c) Transfers**

Individual transfers into and out of the Scheme are accounted for when member liability is accepted/discharged, which is normally when the transfer amount is paid or received.

#### **d) Income**

Investment income is accounted for on an accruals basis.

Interest on cash deposits is accounted for by reference to the period to which it relates and is accrued on a daily basis.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

**H** NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)**3** Accounting Policies (*continued*)**d) Income (continued)**

Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in their unit price and reported within change in market value.

Net rental income from properties is accounted for on an accruals basis in accordance with the terms of the lease.

Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.

**e) Expenses**

The administrative and investment management expenses of the Scheme are borne by the Scheme, and are accounted for on an accruals basis in the period in which they are incurred.

**f) Investment assets**

As a general principle investment assets are included in the financial statements at their fair value at the year-end:

*Bonds*

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

*Accrued Interest*

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

*Pooled Investment Vehicles*

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

*Additional Voluntary Contributions*

The market values of the additional voluntary contribution investments are included in the net assets of the Scheme as calculated by the providers of these arrangements and as accepted by the Trustee.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)3 Accounting Policies (*continued*)**f) Investments assets (*continued*)***Properties*

Properties are included at open market value determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, with particular regard to UK Practice Statement 1.1, Valuation of financial statements. The properties have been valued by Osborne King (for 2023) and Savills (for 2022), Chartered Surveyors.

*Derivatives*

Derivatives are stated at fair value.

Over the counter (OTC) derivatives are stated at fair value determined 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". Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

*Insurance policies*

Three bulk annuity policies, which were purchased in the name of the Trustee to fully provide pension benefits for certain members, are included in these Financial Statements at the amount of the related obligation, determined using the solvency basis assumptions and methodology updated for market conditions at the reporting date. Annuity valuations are provided by the Scheme Actuary.

*Repurchase agreements:*

The Scheme recognises and values the securities that were delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

*Employer loan:*

The employer loan has been included as an investment liability valued at the amount repayable as per the Framework Agreement agreed in September 2023.

**g) Foreign currencies**

The functional and presentational currency of the Scheme is Sterling.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

3 Accounting Policies (*continued*)

**g) Foreign currencies (*continued*)**

Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Differences arising on investment translation are accounted for in the change in market value of investments during the year.

4 Contributions receivable

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employers</b>		
–Expenses	917	1,000
–Augmentation	484	1,047
–Other	30,000	49
<b>Total contributions</b>	<u>31,401</u>	<u>2,096</u>

There were three Schedule of Contributions applicable during 2023; these were signed on 26 March 2020, 20 January 2023, and 20 November 2023. Following the completion of the Actuarial Valuation as at 31 December 2021, the revised Schedule of Contributions applicable at the time was signed on 20 January 2023; following the change in investment strategy as outlined in the Investment Report on pages 10 to 16, the revised Schedule of Contributions was signed on 20 November 2023.

In accordance with the Schedule of Contributions certified on 26 March 2020, 20 January 2023, and 20 November 2023, no employer contribution to member benefits was required for the period from 1 January 2023 to 31 December 2023. In accordance with the Schedule of Contributions certified on 26 March 2020 and 20 January 2023, the employer was required to pay £1.0m p.a. to the Scheme in respect of the expenses associated with the running of the Scheme, as well as contributions equal to the PPF levies on the Scheme and any additional contributions as agreed by the Trustee and the Bank (for example, to cover any additional costs arising from ill-health retirements and augmentations on early retirement).

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

The Schedule of Contributions certified on 20 November 2023 removed the requirement in the previous Schedule of Contributions for the Bank to make expense contributions of £1m per annum. The new Schedule of Contributions also included a new contribution top-up framework to ensure the residual Scheme assets be maintained above a certain level.

Prior to the new Schedule of Contributions being agreed, the payments under the previous Schedule of Contributions had to be submitted by the 19<sup>th</sup> of the month following collection.

Also, prior to the change in investment strategy as outlined in the Investment Report on pages 10 to 16, the Scheme held a legal charge over an Escrow Account, held at Danske Bank A/S London Branch, as part of the Funding Agreement between the Trustee and the Bank at the time. The balance of the Escrow Account as at 31 December 2022 was £30,771k. The account was closed in September 2023 and the £30m contained within was released to the Scheme. The interest accrued was not for the benefit of the Scheme and, as such, at the time of the account closure, this was returned to the Bank. The Payment from the Escrow Account to the Scheme covered the cost of the Section 75 debt required to be paid by the Bank upon the cessation of Danske Bank A/S as a participating employer as disclosed above.



H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 5 Benefits payable

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Pensions	36,208	35,575
Commutations and retirement lump sums	2,922	3,037
Lump sum death benefits	5	18
Taxation where lifetime allowance exceeded	-	55
	<u>39,135</u>	<u>38,685</u>

## 6 Payments to and on account of leavers

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Individual transfers to other schemes	625	8,786
	<u>625</u>	<u>8,786</u>

## 7 Administrative expenses

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Administration and processing	416	306
Actuarial and consulting fees	1,300	802
Audit fees	60	59
Legal fees	242	94
Pension Protection Fund	52	49
Trustee	457	129
Secretarial	356	91
	<u>2,883</u>	<u>1,530</u>

## 8 Investment income

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Income from bonds	5,694	16,461
Net rental income	1,190	1,733
Annuity income (*see below)	35,470	34,952
	<u>42,354</u>	<u>53,146</u>

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 8 Investment income (continued)

Net rents from properties is stated after deducting £90k (2022: £21k) of property related expenses, the decrease in net rents reflects the sale of one of the two properties held by the Scheme.

(*) Annuity income:-	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Monthly pension payments	35,470	34,952
	<u>35,470</u>	<u>34,952</u>

### 9 Investment management expenses

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Administration, management and custody	404	862
Investment consultancy services	34	127
Collateral management fees*	184	101
	<u>622</u>	<u>1,090</u>

\* Collateral management fees relating to January to March 2023 of c. £90k were incorrectly included in the Administration, management and custody expenses for the year ending 31 December 2022.

## H NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10 Reconciliation of investments

	Opening value as at 1 January 2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Closing value as at 31 December 2023
	£'000	£'000	£'000	£'000	£'000
Bonds	173,085	453,795	(593,043)	(33,837)	-
Pooled investment vehicles	186,362	38,655	(225,413)	2,123	1,727
Derivatives	1,264	986	(2,533)	283	-
Insurance policies	591,800	286,512	-	59,788	938,100
Property	34,900	-	(23,100)	(3,450)	8,350
AVC investments	704	-	(41)	24	687
	988,115	779,948	(844,130)	24,931	948,864
Cash deposits	(1,184)				18
Other investment balances*	(100,294)				(8,700)
Net investment assets	886,637			24,931	940,182

\*Included in other investment balances as at 31 December 2023 is an interest free loan of £8.7m provided by the Principal Employer that is due to be repaid as illiquid assets are realised by the sale of the Scheme's remaining property.

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.

## Concentration of investments

Scheme investments include the following which represent more than 5% of the total value of the net assets of the Scheme:

	2023		2022	
	£'000	%	£'000	%
Prudential (2015) Insurance Policy	432,400	45.9	428,400	48.3
Prudential (2023) Insurance Policy	335,300	35.6	-	-
Aviva Insurance Policy	170,400	18.1	163,400	18.4
LDI Managed Account	1,744	0.2	116,565	13.1
Blackrock Ascent UK Long Corp Bond Fund	-	-	98,235	11.1

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 11 Pooled investment vehicles ('PIVs')

The Scheme's holdings of PIVs are analysed as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Equity funds	1	13,592
Equity currency hedged funds	-	12,085
Corporate bond funds	-	116,989
Liquidity	1,726	43,696
	<u>1,727</u>	<u>186,362</u>

The pooled investment vehicles in which the Scheme has invested are all managed by companies registered in the United Kingdom.

### 12 Derivatives

As discussed more fully in the Investment Report on page 10, the Trustee has authorised the use of derivatives as part of the investment strategy for the Scheme.

Summarised details of the derivatives held at year end are set out below:

	<b>2023</b>		<b>2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Swaps	-	-	1,949	(685)

A summary of the Scheme's outstanding derivative contracts at the year end:

#### *Swaps*

<b>Nature</b>	<b>Notional amount £'000</b>	<b>Expires</b>	<b>Asset value £'000</b>	<b>Liability value £'000</b>
Total 2023	<u>-</u>		<u>-</u>	<u>-</u>
Total 2022	<u>29,500</u>		<u>1,949</u>	<u>(685)</u>

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 13 Insurance policy - annuities

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Prudential Assurance Company Limited (2015 policy)	432,400	428,400
Aviva Life & Pensions UK Limited	170,400	163,400
Prudential Assurance Company Limited (2023 policy)	335,300	-
	938,100	591,800

The insurance policy contract with Prudential Assurance Company Limited (2015) relates to the benefits due in respect of most pensions brought into payment prior to February 2015. The Prudential annuity is valued annually by the Scheme Actuary.

Under the Prudential 2015 insurance policy, collateral was held by BNY Mellon, as custodian to Prudential Assurance Company Limited, totalling £466.7m as at 31 December 2023 (2022: £499.1m).

The insurance policy contracts with Aviva Life & Pensions UK Limited relate to the benefits due for in respect of most pensions brought into payment between February 2015 and October 2021. The Aviva annuity is valued annually by the Scheme Actuary.

The insurance policy contract with Prudential (2023) relates to the benefits due in respect of most pensions brought into from September 2023. The Prudential (2023) annuity is valued annually by the Scheme Actuary.

### 14 Property

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Freehold – United Kingdom	8,350	34,900

The property held by the Scheme were valued as at 31 December 2023 at a fair value by Osborne King.

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 15 AVC investments

The Trustee holds assets invested separately from the main fund which secure additional benefits on a money purchase basis for those members who elected to pay additional voluntary contributions. 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 these AVC investments analysed by the providers who administer these policies are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Standard Life- unitised funds	687	702
Danske Bank- staff savings account	-	2
	<u>687</u>	<u>704</u>

### 16 Cash deposits

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Sterling	18	(1,184)
	<u>18</u>	<u>(1,184)</u>

### 17 Other investment balances

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Outstanding interest income	-	(594)
Repurchase agreements	-	(99,700)
Interest free loan from the employer	(8,700)	-
	<u>(8,700)</u>	<u>(100,294)</u>

### 18 Transaction costs

Included within the purchases and sales are direct transaction costs of £177.9k relating to the disposal of a freehold property (2022: £nil). Transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 19 Investments Fair Value Hierarchy

The fair value of financial instruments has been disclosed using the following hierarchy.

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

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety. The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	<b>At 31 December 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled investment vehicles	-	1,727	-	1,727
Insurance policies	-	-	938,100	938,100
Property	-	-	8,350	8,350
AVC investments	-	-	687	687
Cash deposits	18	-	-	18
Other investment balances	-	(8,700)	-	(8,700)
	18	(6,973)	947,137	940,182

	<b>At 31 December 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	-	173,085	-	173,085
Pooled investment vehicles	-	186,362	-	186,362
Derivatives	-	1,264	-	1,264
Insurance policies	-	-	591,800	591,800
Property	-	-	34,900	34,900
AVC investments	2	-	702	704
Cash deposits	(1,184)	-	-	(1,184)
Other investment balances	(595)	(99,699)	-	(100,294)
	(1,777)	261,012	627,402	886,637

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 20 Investments risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

These risks are set out by FRS 102 as follows:

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

Market risk: this comprises currency risk, interest rate risk and other price risk:

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

Since as of 31 December 2023, all Scheme members are now covered by buy-in policies, the market risk are mostly passed on to the insurance companies. However, the direct credit risk still remains relevant for the Scheme as there is a low frequency high severity risk of insurers defaulting on their obligations.

The first insurance policy held with Prudential Assurance Company Limited was collateralised to mitigate the credit risk associated with this policy. As a part of latest Buy in policy it was agreed with Prudential to amend the policy terms to remove the requirement for collateralisation effective from January 2024 as it was determined that the collateral was not providing material mitigation relative to its ongoing cost.

The Trustee has identified and acknowledged the risks inherent in its strategy to secure the Scheme's liabilities with insurers but believes that the policies in place are suitable given the stated investment objectives.



**H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)****20 Investments risks (*continued*)**

A key potential risk relates to the insurance regime – the risk of failure within the UK insurance sector impacting the ability of Prudential and Aviva to meet their obligations under the insurance policies held by the Scheme. To mitigate against this risk the Trustee commissioned due diligence on these insurers and received professional advice prior to entering the policies. The Scheme is also protected by the reserving requirements and stress testing in place for the insurance sector. The Trustee expects buy-in provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payment benefits from the buy-in provider to the Scheme and periodically, at least annually, monitors the financial covenant of the buy-in provider. Most of the key investment risks (like interest rate risk, price risk etc) has been passed on to the insurers as the Scheme liabilities have been now cashflow matched through the buy in policies.

Since as of 31 December 2023, most of the Scheme liabilities have been secured by buy in policies, the asset side risk are mostly passed on to the insurance companies. In addition to the buy in provider / insurer regime failure risks, the other key risks impacting the Scheme are listed below:

**Liquidity Risk:**

The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets. Liquidity risk is managed by the Trustee who ensures that sufficient cash balances are available to meet obligations as and when they arise.

**Funding Risk:**

All members covered by the insurance contracts continue to be members of the Scheme, and the Trustee continues to have ultimate responsibility for the payment of benefits to these members. The Trustee expects the insurance contracts to fully protect the Scheme against funding risk but there remains a residual risk that a mismatch between payments from the insurer and ongoing benefit payments may arise.

**H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)****20 Investments risks (*continued*)****Sponsor Risk:**

This is the risk of the Employer ceasing to exist or having insufficient resources to meet any future obligations to the Scheme, for instance in the unlikely event of an insurer failing to meet its contractual obligations. Since all pension liabilities are now secured through buy-in contracts, Sponsor risk is significantly reduced but remains a risk for the Scheme.

**Custody Risk:**

The risk of loss of Scheme assets or a loss of economic rights to Scheme assets, when held in custody or when being traded. This risk is mostly with respect to the residual LDI assets held with the fund manager.

**Systemic Risk:**

Systemic risk is a financial risk that poses a threat to financial stability. The possibility of an interlinked and simultaneous financial stress suffered by the government and corporate sectors leading to stress in several asset classes, possibly compounded by financial 'contagion', resulting in a deterioration in the financial health of the insurers may negatively impact the ability of the Scheme to meet its pension obligations.

**Interest rate risk and other price risk:**

The residual cash assets still have some component of interest rate risk and price risk although they are not significant due to smaller allocation of around £1.74 m as at 31st December 2023. There is some component of other price risk and credit risk associated with the M&S property investment as well.

**(i) Credit risk**

The Scheme is subject to credit risk from its holdings in its insurance policy, pooled investment vehicles ('PIV's'), Managed Account (see page 13) and cash balances.

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 20 Investment risks *(continued)*

#### (i) Credit risk *(continued)*

The table below shows the analysis of direct credit risk at the year end:

#### Analysis of direct credit risk

<b>At 31 December 2023</b>				
	<b>Investment grade</b>	<b>Non- investment grade</b>	<b>Unrated</b>	<b>Total</b>
Insurance Policies	938,100	-	-	938,100
Managed Account <sup>1</sup>	18	-	1,726	1,744
PIVs	-	-	1	1
	<u>938,118</u>	<u>-</u>	<u>1,727</u>	<u>939,845</u>

<sup>1</sup> Note the Managed Account contains a pooled liquidity fund holding £1,726k as at 31 December 2023.

<b>At 31 December 2022</b>				
	<b>Investment grade</b>	<b>Non- investment grade</b>	<b>Unrated</b>	<b>Total</b>
Insurance Policies	591,800	-	-	591,800
Managed Account <sup>2</sup>	72,869	-	43,696	116,565
PIVs	-	-	142,665	142,665
	<u>664,669</u>	<u>-</u>	<u>186,361</u>	<u>851,030</u>

<sup>2</sup> Note the Managed Account contains a pooled liquidity fund holding £43,696k as at 31 December 2022.

The insurance policy held with Prudential Assurance Company Limited is collateralised to reduce credit risk.

A summary of PIVs by type of arrangement is as follows:

	<b>2023 £'000</b>	<b>2022 £'000</b>
Open ended investment companies	1,726	160,684
Unit Linked Insurance Policies	<u>1</u>	<u>25,678</u>
	<u>1,727</u>	<u>186,362</u>

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles as well as from the Marks & Spencer property.

#### (ii) Currency risk

The Scheme was subject to currency risk from a proportion of its investments in equities and other financial instruments before the final buy in was executed but the exposure to currency risk as of 31<sup>st</sup> December 2023 is Nil.

## H NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

### 20 Investment risks *(continued)*

#### **(ii) Currency risk *(continued)***

The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Currency</b>		
US Dollar	-	2,593
Euro	-	1,535
Japanese Yen	-	688
Other	-	2,244
	<u>-</u>	<u>7,060</u>

#### **(iii) Interest rate risk**

As of 31st December 2023, the Scheme is subject to some interest rate risk from the residual cash assets.

The table below shows the analysis of interest rate risk at the year-end:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Direct</b>		
Managed Account <sup>1</sup>	1,744	116,565
<b>Indirect</b>		
Corporate bond PIVs	-	116,988
	<u>1,744</u>	<u>233,553</u>

<sup>1</sup>2022 includes gilts, index-linked gilts, repurchase agreements, swaps and liquidity fund, 2023 includes liquidity fund only.

#### **(iv) Other price risk**

The residual cash assets still have some component of price risk although they are not significant due to smaller allocation of around £1.74 m as at 31st December 2023. There is some component of other price risk and credit risk associated with the M&S property investment as well. The buy in policies also has some component of other price risk although not material.

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)20 Investment risks (*continued*)**(iv) Other price risk (*continued*)**

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Direct</b>		
Investment properties	8,350	34,900
Insurance policy	938,100	591,800
Managed Account <sup>1</sup>	18	72,869
<b>Indirect</b>		
Equity PIVs	1	13,592
Equity Currency Hedged PIVs	-	12,085
Corporate bond PIVs	-	116,988
	<u>946,469</u>	<u>842,234</u>

<sup>1</sup>Excludes cash balances

**(v) Summary of risks**

The following table summarises the significant exposure to investment risks as at 31 December 2023:

	<b>Credit risk</b>	<b>Foreign exchange risk</b>	<b>Interest rate risk</b>	<b>Other price risk</b>
Insurance policies	✓	-	-	✓
Residual cash	✓	-	✓	✓
Property	✓	-	-	✓

H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

## 21 Current assets

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Cash balances	3,888	1,829
Other debtors	61	-
	<u>3,949</u>	<u>1,829</u>

## 22 Current liabilities

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	135	528
Unpaid benefits	518	-
Accrued expenses	769	580
VAT recoverable	24	94
	<u>1,446</u>	<u>1,202</u>

## 23 Related party transactions

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

- AVCs are held with Danske Bank and the value as at 31 December 2023 was nil (2022: £2k). Only one member held an AVC fund with Danske Bank and this was withdrawn in February 2023.
- The Scheme bank account is held with Danske Bank and the balance as at 31 December 2023 was £3,888k (2022: £1,829k). The Scheme previously invested in pooled funds, managed by BlackRock, which through normal activity was expected to include holdings in Danske Bank A/S. The level of the Scheme's pooled fund holdings in Danske Bank A/S at 31 December 2023 was £0k (2022: £10.5k).
- The Scheme obtained an interest free term loan of £8.7m (2022: nil) from the Employer, secured on the M&S property (to be reimbursed once the property is sold in due course) to facilitate the Prudential buy in.

## H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

### 23 Related party transactions (*continued*)

- Contributions receivable from the employer of the Scheme are disclosed in note 4.
- Payments in respect of payroll deductions (e.g. PAYE and GAYE) were paid directly by the employer of the Scheme and subsequently reimbursed by the Scheme.
- Administration costs of nil (2022: £101k) were paid directly by the employer of the Scheme and subsequently reimbursed by the Scheme.
- Independent Trustee fees paid in respect of the year to 31 December 2023 totalled £457k (2022: September to December £129k).
- Prior to the change in investment strategy as outlined in the Investment Report on pages 10 to 16 the Scheme held a legal charge over an Escrow Account, held at Danske Bank A/S London Branch, as part of the Funding Agreement between the Trustee and the Bank at the time. The balance of the Escrow Account as at 31 December 2022 was £30,771k. The account was closed in September 2023 and the £30m contained within was released to the Scheme. The interest accrued was not for the benefit of the Scheme and, as such, at the time of the account closure, this was returned to the Bank.

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

### 24 Employer related investments

The Scheme obtained an interest free term loan of £8.7m (2022: nil) from the Employer, secured on the M&S property (to be reimbursed once the property is sold in due course) to facilitate the Prudential buy in.

Other than as explained in the Related party transactions note, there were no other employer related investments in 2023 (2022: nil).

### 25 Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

## H NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

### 26 Guaranteed Minimum Pension (GMP)

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and, in preparation for equalising GMPs, has undertaken a GMP reconciliation exercise and a GMP rectification exercise. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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 previous judgment on 26 October 2018, which had not considered historic transfer values. This development and its implications for the Scheme have been discussed by the Trustee with its Actuary since the date of the Court ruling. On the basis of the known facts and the analysis of the likely impact to date, the Trustee does not consider the expected cost of rectifying past transfer values to be material.

GMP was not covered by any of the three insurance policies with Prudential and Aviva.

### 27 Post Financial Statements Events

Following the Scheme year end, as part of the broader negotiations in relation to the further buy in arrangement entered into in September 2023, the Trustee and Prudential agreed in principle to update the terms for the 2015 policy to align the pension increases with those paid in accordance with the Scheme's rules, remove the collateral arrangements and to modernise the contract to align with that agreed as part of the 2023 buy in policy where relevant.



## H NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27 Post Financial Statements Events (continued)

It was also negotiated that members covered under the 2015 policy would be moved to Prudential's new Third Party Administration provider and that GMP equalisation using dual records would be permitted. On 8 September 2023, the Trustee signed a side letter confirming its intention to amend the 2015 policy to align by 31 December 2023. This timeline was subsequently extended to 31 January 2024.

Following detailed discussions in Q4 2023 and January 2024, and having taken advice from its advisers, the Trustee and The Prudential Assurance Company Limited signed the associated deeds to execute the changes agreed.

The trade and settlement of the collateral assets held took place and on 26 January 2024, confirmation was received from Hogan Lovells on behalf of Prudential that in relation to the amendment and restatement of the 2015 policy, Prudential had now received all of the collateral assets.

In the opinion of the Trustee, no adjustment to the Scheme's financial statements between 31 December 2023 and the date of approval of these financial statements is required.

## I COMPLIANCE STATEMENT

This compliance statement forms part of the report of the Trustee.

### Tax status

The Scheme has been approved by the Inland Revenue as an exempt approved scheme and as such its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to some overseas investment income. The Scheme was registered for VAT with HMRC on 21 December 2009.

### Changes to the Scheme's Trust Deed and Rules

There were no changes made to the Scheme's Trust Deed and Rules during 2023. Details of the change to the Scheme's Trust Deed and Rules during 2022 are provided in the Report of the Trustee (page 4).

### Statement of Investment Principles

In accordance with the Pensions (Northern Ireland) Order 1995, the Trustee has prepared a Statement of Investment Principles governing investment policy and objectives. A copy is available on the Scheme's website ([www.northernbankpensionscheme.co.uk](http://www.northernbankpensionscheme.co.uk)) and on request to members.

### Data Protection

The Trustee has registered under the Data Protection Act 1998 to hold on computer information regarding members which is necessary for the management of the Scheme. The Trustee also maintains a Data Protection Policy in alignment with its requirements under the General Data Protection Regulation, which came into force on 25 May 2018.

### Calculation of transfer values

All transfer values paid and received were calculated and verified in accordance with regulations made under the Pension Schemes (Northern Ireland) Act 1993 and include an allowance for guaranteed pension increases.

### Changes to the Advisors to the Trustee

The Scheme Actuary, Stephen Yates, WTW, resigned on 18 August 2023 and Colin Downie, WTW, was appointed with immediate effect. As required by Regulations made under the Pensions Act 1995, it was confirmed in Mr Yates' notice of resignation that he knew of no circumstances

connected with his resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme.

There were no other changes to advisor appointments during 2023.

#### Changes to the Directors to the Trustee

There were no changes to the Directors to the Trustee during the year.

#### Changes to the Secretary to the Trustee

There were no changes to the Secretary of the Trustee during the year.

## J FURTHER INFORMATION

### The Registrar, TPAS, the Pensions Ombudsman and the Pensions Regulator

In accordance with the Occupational Pensions Schemes (Disclosure of Information) Regulations (Northern Ireland) 1997, as amended, members are advised that:

- Information regarding the Scheme has been given to the Pension Tracing Service (Telephone: 0800 731 0193: Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)).
- The Pensions Advisory Service (provided by the Money and Pensions Service) is available to assist members and beneficiaries with difficulties which they cannot resolve with the Trustee or the Scheme administrator ([www.moneyhelper.org.uk/en/contact-us](http://www.moneyhelper.org.uk/en/contact-us)).
- In extreme cases, the Pensions Ombudsman of 10 South Colonnade, Canary Wharf, London E14 4PU may investigate and determine any complaint or dispute in relation to how the Scheme is run ([www.pensions-ombudsman.org.uk/contact-us](http://www.pensions-ombudsman.org.uk/contact-us)).

In addition to the above, the Pensions Regulator (tPR) regulates occupational pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the powers to:

- Suspend, disqualify or remove a trustee, or director of a trustee company, for consistently failing to carry 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.

The auditor and actuary have a statutory duty to make an immediate written report to tPR if they believe that there has been a material breach of statutory requirements in relation to the running of the Scheme.

### Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by members, beneficiaries or potential beneficiaries of the Scheme. Details of this can be obtained by writing to the Secretary using the contact details below:

Email: [northern.bank.ps@wtwco.com](mailto:northern.bank.ps@wtwco.com)

Post: The Scheme Secretary, Northern Bank Pension Trust Limited, c/o Willis Towers Watson, 51 Lime Street, London, EC3M 7DQ.

## J FURTHER INFORMATION (*CONTINUED*)

### Contact for further information

Any enquiries 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:

Danske Administration  
Equiniti  
Sutherland House  
Russell Way  
Crawley  
West Sussex, RH10 1UH  
Telephone : 0203 997 6720  
E-mail : [danske.administration@equiniti.com](mailto:danske.administration@equiniti.com)

### Scheme Website

Information relating to the Scheme (including information which must be made available to members on a publicly available website) can be found on the Scheme's website – [www.northernbankpensionscheme.co.uk](http://www.northernbankpensionscheme.co.uk).

## **K INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME**

### **Independent auditor's statement about contributions to the Trustee of the Northern Bank Pension Scheme**

We have examined the summary of contributions to the Northern Bank Pension Scheme for the scheme year ended 31 December 2023 which is set out on page 54.

In our opinion contributions for the scheme year ended 31 December 2023 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid for the period 1 January 2023 to 19 January 2023 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 26 March 2020, for the period 20 January 2023 to 19 November 2023 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 20 January 2023, and for the period 20 November 2023 to 31 December 2023 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 20 November 2023.

#### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the 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.

#### **Respective responsibilities of trustee and the auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 54, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary, revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

K INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS  
TO THE TRUSTEE OF THE NORTHERN BANK PENSION SCHEME  
(CONTINUED)

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 made under the Pensions (Northern Ireland) Order 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them 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 Trustee as a body for our work, for this statement, or for the opinion we have formed.

DocuSigned by:  
*Deloitte LLP*  
0946AD28A6C54CC...

Deloitte LLP  
Statutory Auditor  
Belfast, United Kingdom  
Date

30 July 2024

## **L STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND TRUSTEE'S SUMMARY OF CONTRIBUTIONS**

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the Schedule.

### **Trustees' Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2023**

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions in force during the year.

There were three Schedules of Contributions in place during the year. The first of which was certified by the actuary on 26 March 2020, and following the completion of the Actuarial Valuation as at 31 December 2021, the second Schedule of Contributions was certified on 20 January 2023. Following the change in investment strategy later in the year as outlined in the Investment Report on pages 10 to 16, further changes were made to the Schedule of Contributions which removed the requirement in the previous Schedule of Contributions for the Bank to make expense contributions of £1m per annum. The new Schedule of Contributions also included a new contribution top-up framework to ensure the residual Scheme assets be maintained above a certain level. The new Schedule of Contributions was agreed and signed on 20 November 2023. Prior to the new Schedule of Contributions being agreed, the payments under the previous Schedule of Contributions had to be submitted by the 19<sup>th</sup> of the month following collection. The Scheme auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

Also, prior to the change in investment strategy as outlined in the Investment Report on pages 10 to 16, the Scheme held a legal charge over an Escrow Account, held at Danske Bank A/S London Branch, as part of the Funding Agreement between the Trustee and the Bank at the time. The balance of the Escrow Account as at 31 December 2022 was £30,771k. The account was closed in September 2023 and the £30m contained within was released to the Scheme. The interest accrued



was not for the benefit of the Scheme and, as such, at the time of the account closure, this was returned to the Bank.

<b>Contributions payable under the Schedules in respect of the Scheme year</b>	<b>£'000</b>
Employer:	
Expense contributions	917
<b>Contributions payable under the Schedules (as reported on by the Scheme Auditor)</b>	917

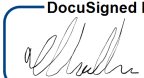
**Reconciliation of contributions**

Reconciliation of contributions payable under the Schedules of Contributions reported in the Financial Statements in respect of the Scheme year:

	<b>£'000</b>
Contributions payable under the Schedules (as above)	917
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme auditor):	
Employer augmentation contributions	484
Employer other contributions	30,000
<b>Total contributions reported in the Financial Statements</b>	31,401

Signed on behalf of the Trustee of the Northern Bank Pension Scheme by:

Signed by:  Mike Roberts      30 July 2024  
 Director. 26E07FG22516470..... Date

DocuSigned by:  Nicholas Chadha      30 July 2024  
 Director. 7AE140F97BC841E..... Date

**APPENDIX 1**  
**Actuarial Statements**

## REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT)

### Report on Actuarial Liabilities

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

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

The value of the technical provisions was: £1,366 million  
The value of the assets (excluding AVCs) was: £1,433 million

The method and significant actuarial assumptions used to determine the technical provisions are set out below (all assumptions adopted are set out in the Statement of Funding Principles).

### Method

The actuarial method to be used in the calculation of the technical provisions is the projected unit method.

### Significant actuarial assumptions

**Discount rates:** the discount rate curve used to calculate the capital value of future cashflows are determined using the gilt curve (WTW GBP Zero Coupon Nominal curve) plus a margin which, for the 31 December 2021 valuation, is 0.5% per annum.

**Future Retail Price Inflation (RPI):** a rate derived from the Bank of England fixed interest and index-linked gilt yield curves at an appropriate duration at the valuation date.

**Future Consumer Price Inflation (CPI):** derived from the assumption for future Retail Price Inflation less 0.7% per annum until 2030, and then 0% per annum thereafter.

**Pension increases:** derived from the assumptions for future Retail Price Inflation and Consumer Price Inflation allowing for the caps and floors on pension increases, according to the provisions in the Scheme's rules.

**Mortality:** mortality before and after retirement is assumed to follow the standard "S3" tables, based on the experience of Self-Administered Pension Schemes ("SAPS") from 2009 to 2016 with improvements from 2013 to 2021 using CMI's 2021 Core Projections (with a rating of 88% for male non-pensioners, 76% for male pensioners, 90% for female non-pensioners and 83% for female pensioners).

There is a further allowance for improvements in mortality after the valuation date in line with the CMI's 2021 Core Projections using the default core parameter for smoothing ( $S_k = 7.0$ ), 0% for initial addition and 0% for both 2020 and 2021 mortality experience, with a 1.5% per annum long-term trend.

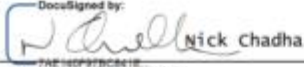
For benefit accrual after 31 December 2007, members bear the cost of any mortality improvements in the period to retirement. No allowance is therefore made, in the funding of benefit accrual after 31 December 2007, for future improvements in mortality over the period to retirement.

**NORTHERN BANK PENSION SCHEME**  
**Annual Report and Financial Statements for the year ended 31 December 2023**

**Northern Bank Pension Scheme**

**Schedule of Contributions for a five year period from the date of certification of this Schedule by the Scheme Actuary i.e. until 30 November 2028**

<b>1</b>	<b>Name of Employer:</b>	Northern Bank Limited
<b>2</b>	<b>Rates of contribution:</b>	
	Member rate:	None required.
	Employer rate:	None required.
<b>3</b>	<b>Employer contributions towards deficit amortisation</b>	None required.
<b>4</b>	<b>Residual Scheme Assets</b>	The Residual Scheme Assets are defined, for the purpose of this Schedule, as all liquid Scheme assets excluding the buy-in policies. This would include, but not be limited to, the amount held in the Trustee bank account.
<b>5</b>	<b>Residual Scheme Asset Buffer</b>	Defined as total Residual Scheme Assets of £3 million, or other such amount as the Trustee and Employer agree, from time to time.
<b>6</b>	<b>Employer contributions towards the Residual Scheme Asset Buffer</b>	The Employer will be required to pay an amount when the Residual Scheme Assets fall below the Residual Scheme Asset Buffer, as instructed by the Trustee, to bring the Residual Scheme Assets up to at least an amount of £0.5 million in excess of the Residual Scheme Asset Buffer.
<b>7</b>	<b>Employer contributions towards the expenses (including Pension Protection Fund levies) associated with the running of the Scheme</b>	None required, on the basis that these will be paid out of Residual Scheme Assets.
<b>8</b>	<b>Employer contributions for scenarios where the benefits paid to members are not covered by the buy-in policies</b>	None required, on the basis that these will be paid out of Residual Scheme Assets.
<b>9</b>	<b>Additional contributions:</b>	As agreed by the Trustee and the Employer, for example to cover the exercise of discretions.
<b>10</b>	<b>Due dates of payment:</b>	
	Member contributions:	None required.
	Employer contributions:	To the extent that any Employer contributions are required under 6, 7, 8 or 9 above, these will be paid within 30 days of the initial written request from the Trustee.

Agreed on behalf of the Trustee of the Northern Bank Pension Scheme	Agreed on behalf of Northern Bank Limited
 <small>DocuSigned by:</small> <small>FWF140F97C8E1E</small> Nick Chadha	 <small>DocuSigned by:</small> <small>6277684229060C7F</small> Stephen Matchett
Date: 20 November 2023	Date: 20 November 2023

**Actuary's certification of Schedule of Contributions**

Name of Scheme: *Northern Bank Pension Scheme*

**Adequacy of rates of contributions**

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 20 November 2023 to continue to be met for the period for which this schedule is to be in force.

**Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 20 January 2023.

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



**Signature:**

**Date:** 20 November 2023

**Colin Downie**  
**Fellow of the Institute and Faculty of Actuaries**  
**Towers Watson Limited, a WTW Company**

**2 Semple Street**  
**Edinburgh, EH3 8BL**  
**UK**

## **APPENDIX 2**

### **Implementation Statement**

# **Northern Bank Pension Scheme – 2023 Implementation Statement for 2019 DB Regulations**

**Statement of Compliance with the Northern Bank Pension Scheme’s Stewardship Policy  
for the year ending 31 December 2023**

### *Introduction*

This statement is prepared on behalf of the Northern Bank Pension Trust Limited (“the Trustee”) in its capacity as Trustee of the Northern Bank Pension Scheme (“the Scheme”) in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme’s Stewardship Policy during the period from 1 January 2023 to 31 December 2023.

As of 31 December 2023, the Trustee had entered into insurance policies with the Prudential Assurance Company Limited (“Prudential”) and Aviva Life & Pensions UK Limited (“Aviva”) that are expected to secure the pension benefits of all Scheme members in return for the initial payment of a buy-in premium.

The Scheme entered a third insurance buy-in policy with Prudential in September 2023. As a result, the buy-in policies held with Prudential and Aviva make monthly payments to the Scheme to cover benefit payments to members. Prior to this, the Scheme’s equity holdings were full redeemed in July 2023 and the Scheme’s corporate bond allocation was fully redeemed in August 2023 ahead of the insurance buy-in.

As a result, this statement will predominantly focus on voting and engagement activity undertaken by or on behalf of the Trustee by the fund manager BlackRock between 1 January 2023 and 30 June 2023, before the equities were redeemed, but will also cover stewardship considerations following completion of the full insurance buy-in.

### *Stewardship policy*

The Trustee’s Stewardship Policy covers voting and engagement by setting out how the Trustee will behave as an active owner of the Scheme’s assets, which includes the Trustee’s approach to:

the exercise of voting rights attached to assets; and

undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

You can review the Scheme latest Stewardship Policy which can be found within the Scheme’s Statement of Investment Principles (“SIP”), dated November 2023, at:

<https://danskebank.co.uk/northern-bank-pension-scheme/scheme-information>

The Stewardship Policy is reviewed on an annual basis and was last reviewed alongside the SIP review carried out in November 2023. Given that the Scheme's assets are comprised of bulk annuities held with insurers, a single property asset and residual cash, stewardship and voting are now of reduced relevance for the Scheme.

Given this statement covers the period from 1 January to 31 December 2023, it covers stewardship activities carried out prior to the full disinvestment of the equity and corporate bond allocations in Q3 2023, including:

- The Trustee aimed to regularly meet with BlackRock. Ahead of each meeting, the Trustee provided their manager with an agenda for discussion including, where appropriate, Environmental Social and Governance ("ESG") issues.
- Within Trustee controlled assets (e.g. property), the Trustee engaged with and sought input directly from its Advisors on any issues of concern.
- The Trustee adopted a policy of delegating voting decisions on stocks to their Investment Manager (BlackRock) who would exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy.
- The Trustee monitored the manager's voting and engagement activity in conjunction with its investment Advisor. The manager was challenged both directly by the Trustee and by its investment Advisors on the impact of any significant issues.
- The Trustee had reviewed the voting policy of BlackRock and has determined that the policy is satisfactory. On an annual basis, the Trustee would request their Investment Manager to provide details of any change in house policy.
- The Trustee did not engage directly but encouraged its investment managers to engage with key stakeholders which may including corporate management, regulators, and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviors, improve performance, and mitigate financial risks.

### *Voting activity*

This section covers the voting and engagement activity undertaken by or on behalf of the Trustee by the investment manager BlackRock in the period from 1 January 2023 to 30 June 2023, before the equities were redeemed in July 2023 and the final buy in was executed in September 2023.

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor manager voting patterns. In the first half of the year, the Trustee held equity assets through several regional passive mandates with BlackRock. The table below sets out how votes were cast for these mandates:

<b>Strategy/Fund name</b>	<b>UK</b>	<b>Japan</b>	<b>US</b>	<b>Europe</b>	<b>Emerging Markets</b>	<b>Pacific Rim</b>
Proportion of total Scheme assets	2.6%	1.1%	3.4%	2.1%	0.4%	0.4%
No. of meetings eligible to vote at during the year	679	466	529	430	1,733	286

**NORTHERN BANK PENSION SCHEME****Annual Report and Financial Statements for the year ended 31 December 2023****62**

No. of resolutions eligible to vote on during the year	10,625	5,655	7,191	8,362	17,605	2,176
% of resolutions voted	95.7%	100.0%	93.7%	76.9%	98.7%	100.0%
% of resolutions voted with management	92.1%	96.5%	96.8%	68.2%	87.7%	88.1%
% of resolutions voted against management	4.2%	3.5%	2.6%	8.7%	11.0%	11.9%
% of resolutions abstained	3.7%	0.0%	0.5%	23.1%	1.3%	0.0%
% of meetings with at least one vote against management	25.2%	24.0%	16.1%	50.9%	48.1%	43.0%

The resolutions on which BlackRock voted against management over 2022-23 proxy voting year were consistently governance-related and mainly in relation to:

- Board composition and effectiveness
- Director independence
- Director overcommitment
- Executive compensation

***Significant votes***

BlackRock provide information on what they view as their most significant votes during 1 January 2023 to 30 June 2023. From the manager's reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

***The Hong Kong and China Gas Company Limited (HK: 00003), 7 June 2023, Elect Lee Ka-kit as Director (AGAINST)***

BlackRock voted AGAINST the management's recommendation on the elections of the co-chair of the board of directors and nomination committee, and of the chair of the audit and remuneration committees given concerns related to board independence and composition.

***Vale, S.A. (NYSE: VALE), 28 April 2023, Setting the compensation of management and members of the Fiscal Council for the year 2023 (FOR)***

BlackRock voted for the management proposal of setting the compensation of management and members of the Fiscal Council for the year 2023 as Vale has demonstrated progress and leadership on executive compensation disclosures in the Latin American region.

***Shin Kong Financial Holding Company Limited (TW: 2888), 9 June 2023, Election of Non-independent and Independent Directors (FOR)***



**NORTHERN BANK PENSION SCHEME****Annual Report and Financial Statements for the year ended 31 December 2023****63**

BlackRock voted for nine reform camp candidates and five management-nominated directors. In their view, financial and governance concerns warranted support for the reform camp while maintaining a degree of management-supported directors to maintain a level of institutional knowledge in the board. Long-term shareholders tend to benefit when boards include a diversity of views and directors can act as checks and balances on one another, as necessary.

<b>Number of engagements</b>	<b>Topic engaged on</b>
77	Biodiversity
1059	Climate Risk Management
29	Land Use/Deforestation
168	Other company impacts on the environment
89	Water and Waste
1236	Board Composition and Effectiveness
297	Board Gender Diversity
754	Business Oversight/Risk Management
1297	Corporate Strategy
430	Executive Management
787	Governance Structure
204	Other
1155	Remuneration
498	Sustainability Reporting
70	Business Ethics and Integrity
87	Community relations
244	Diversity and Inclusion
97	Health and Safety
557	Human Capital Management
37	Indigenous Peoples Rights
61	Other Human Capital Management issues
127	Other company impacts on people/human rights

65	Privacy and Data Security
232	Social Risks and Opportunities
118	Supply Chain Labour Management

***BE Semiconductor Industries N.V. (Euronext Amsterdam: BESI; OTC: BESIY), 26 April 2023, Advisory vote on the Remuneration Report 2022 (AGAINST)***

BlackRock voted AGAINST the 2022 remuneration report over their concerns about several structural issues, mainly related to the board's use of discretionary awards and metrics that, in their view, were not sufficiently stretching.

***Dentsu Group, Inc. (Tokyo Stock Exchange: 4324), 30 March 2023, Election of Keiichi Sagawa (AGAINST)***

BlackRock voted AGAINST the election of Keiichi Sagawa as a non-executive director of the board due to concerns that cross holdings and certain business relationships between the company and his previous employer undermine his independence. While they recognize Mr. Sagawa's capabilities and experience, recent allegations of corruption against a former employee highlight the importance of robust board oversight of management and demonstrating that directors are, and are seen to be, fully independent of management.

***Chevron Corporation (NYSE: CVX), 31 May 2023, Rescind Scope 3 GHG Reduction Proposal (AGAINST)***

BlackRock voted AGAINST the shareholder proposal which requested that the company rescind a 2021 shareholder proposal to reduce scope 3 emissions. The original proposal received 61% support in 2021, and the company subsequently took action to include scope 3 GHG emissions in certain of their metrics to help investors understand the company's value chain risk.

***Summary of manager engagement activity***

The Trustee receives annual reporting on BlackRock's engagement activity. The following table summarises the key engagement activity during 1 January 2023 to 30 June 2023.

The manager carried out 3008 engagements with 2263 companies over this period. Engagements include multiple company meetings during the year with the same company and most engagement conversations cover multiple topics.

***Use of a proxy Advisor***

BlackRock's proxy voting process was led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East, and Africa - located in seven offices around the world. The analysts with each team would generally determine how to vote at the meetings of the companies they cover.

***Other engagement activity***

The Trustee also invests directly in property assets. Through its property Advisor, Osborne King, the Trustee engages with the tenants of these properties on an ongoing basis to discuss issues that could affect the assets.

*Review of policies*

The Trustee expects that Prudential and Aviva will take account of all financially material factors, including the potential impact of Responsible Investment issues, in the implementation of their insurance mandate. Given the nature of the insurance contracts, the Trustee expects both insurers to actively consider Environmental, Social and Corporate Governance factors in their investment governance and decision making.

The Trustee monitors compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.