Yorkshire and Clydesdale Bank Pension Scheme

Scheme Registration Number: I0003237

Trustee’s Annual Report and Financial Statements

For the Year Ended 30 September 2022

CONFIDENTIAL

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Trustee and its Advisers

The Trustee

Yorkshire and Clydesdale Bank Pension Trustee Limited is the Corporate Trustee ("the Trustee") of the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme"). Registration Number: SC150005.

The names of the Directors who served during the year and post year end changes are set out below.

Principal and Participating Employer
Clydesdale Bank PLC (“the Bank”)
30 St Vincent Place
Glasgow
G1 2HL

Trustee and its Advisers (continued)

Investment Managers

BlackRock Investment Management (UK) Limited (BlackRock)
12 Throgmorton Avenue
London
EC2N 2DL

Towers Watson Investment Management Limited (TWIM)
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Legal & General Investment Management (LGIM)
One Coleman Street
London
EC2R 5AA

CB Richard Ellis Global Investors Limited (CBREGI)
Third Floor
One New Change
London
EC4M 9AF

Oak Hill Advisers LLP (Oak Hill)
1114 Avenue of the Americas
27th Floor
New York
NY10036
USA

Knight Frank Investment Management (Knight Frank)
Saddlers House
44 Gutter Lane
London
EC2V 6BR

PGIM
Grand Buildings
1-3 Strand
London

Alpha Real Capital LLP (Alpha Real)
338 Euston Road
London
NW1 3BG

Brigade Capital Management (Brigade)
16th Floors
399 Park Avenue
New York
New York 10022
United States of America

Schroders Greencoat LLP (Greencoat)
The Peak
5 Wilton Road
London
SW1V 1AN

abrdn
Bow Bells House
1 Bread Street
London
EC4M 9HH

Trustee and its Advisers (continued)

AVC Providers

Utmost Life and Pensions
Walton Street
Aylesbury
Bucks
HP21 7QW

The Phoenix Group
Standard Life House
30 Lothian Road
Edinburgh
ED1 2DH

Prudential Assurance Company Limited
142 Holborn Bars
London
EC1N 2NH

Aviva Plc
PO Box 520
Norwich
NR1 3WG

Advisers

The advisers to the Trustee during the year and at the date of approval of the report are set out below.

Actuary
Nicola MacKay, FFA
WTW Plc
Floor 4
80 George Street
Edinburgh
EH2 3BU

Investment Advisers
WTW Plc
London Road
Reigate
Surrey
RH2 9PQ

Legal Advisers
Sacker & Partners LLP
20 Gresham Street
London
EC2V 7JE

Independent Auditor
Ernst & Young LLP
R+ Building
2 Blagrave Street
Reading
RG1 1AZ

Administrator
Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington
DL1 9YT

Bankers
Virgin Money
94-96 Briggate
Leeds
LS1 6NP

Trustee and its Advisers (continued)

Global Custodian
Northern Trust Corporation (Northern Trust)
50 Bank Street
Canary Wharf
London
E14 SNT

Property Solicitor
Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

Property Performance
MSCI Investment Property Databank Ltd
Ninth Floor Ten Bishops Square
London
E1 6EG

Property Valuer
Avison Young
65 Gresham Street
London
EC2V 7NQ

Employer Covenant Adviser
Interpath LLP
15 Canada Square
London
E14 5GL

Communications Adviser
Quietroom
4th Floor, 40 Bowling Green Lane
London
EC1R 0NE

Scheme Accountant
Capita Pension Solutions Limited
Hartshead House, 2 Cutlers Gate
Sheffield
S4 7TL

Trustee's Report

The Trustee presents its annual report and audited financial statements of the Yorkshire and Clydesdale Bank Pension Scheme for the year ended 30 September 2022.

The Scheme was established under a Trust Deed and registration has been granted by His Majesty's Revenue & Customs under the terms of the Finance Act 2004.

On 31 July 2017 the Scheme closed to future accrual for most active members, and as a result the majority of the membership is made up of deferred and pensioner members.

Scheme Management

Directors of the Corporate Trustee

The Scheme is managed by a corporate Trustee, Yorkshire and Clydesdale Bank Pension Trustee Limited.

The Board of Yorkshire and Clydesdale Bank Pension Trustee Limited is comprised of three Member Nominated Trustee Directors (MNDs), three Employer Nominated Trustee Directors (ENDs) and three Independent Directors. The quorum required for Trustee meetings is four Trustee Directors made up of one END, one MND, one Independent Director and a further Trustee Director from any of these Director categories.

The power of appointment and removal of the Corporate Trustee is exercisable by the Principal Employer, subject to restrictions set out in the Scheme's Trust Deed and Rules and the Corporate Trustee's Articles of Association.

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.

Trustee's Report (continued)

Scheme Management (continued)

Changes in and other matters relating to the Directors of the Trustee

Following the resignation of Sarah Green on 7 October 2021 and Dan Moore on 31 January 2022, Chloe Stafford and Sharon Ellis were appointed as Employer Nominated Directors with effect from 29 March 2022. John Laird resigned on 31 December 2022 and Sharon Ellis resigned on 10 February 2023.

Corporate Trustee Meetings

The Directors of the Corporate Trustee meet at least quarterly and otherwise as necessary to consider matters relating to the operation and administration of the Scheme.

The following Board sub-committees, (other than the Valuation Sub-Committee), meet at least quarterly and report thereafter to the Board either with information and / or with recommended actions.

In addition to attending the Board and its sub-committees, Board members also meet with the Principal Employer to discuss issues relating to the Scheme.

Audit & Risk Sub-Committee (ARSC)

The ARSC liaises with the Scheme Accountant in the production of the Scheme's annual and statutory financial statements.

It regularly reviews the risks borne by the Scheme and recommends mitigation or controlling actions. This includes monitoring the Scheme's employer covenant, providing updates on the formal covenant review to the Board, and monitoring and advising the Board on compliance, regulatory and legislative matters.

The ARSC is responsible for reviewing the Scheme's Annual Business Plan and Budget and recommending them to the Board for approval.

The ARSC is also responsible for reviewing the overall governance structure of the Scheme and to make recommendations to the Board.

Trustee's Report (continued)

Scheme Management (continued)

Administration Sub-Committee (ASC)

The ASC is responsible for regularly monitoring the delivery of administration services to the Scheme by the Scheme's administrator and the Bank's Group Pensions Department.

It monitors and authorises discretionary benefits, including incapacity pension payments and ill-health pension payments.

It reviews communications with Scheme members and beneficiaries.

It reviews and manages items raised under the Scheme's Dispute Resolution Procedure (DRP) and ensures that matters are reported to the Board as required.

GMP Sub-Committee (GMPSC)

The GMPSC meets as required to consider the actions required in relation to the reconciliation, rectification, and equalisation of Guaranteed Minimum Pensions (GMPs) under the Scheme and to make appropriate recommendations to the Trustee Board with regard to any decisions required. The GMPSC maintains a project plan of the actions required, manages the data requirements of the project, liaises with the Bank, and considers the timing, content and format of communications to members in relation to GMP matters.

An important aspect of the GMPSC's remit is to consider the implications for the Scheme of the Lloyds Banking Group High Court judgement in October 2018, which ruled that pension schemes are required to equalise pension benefits between men and women for the effect of GMPs accrued during employment that was contracted out of the state additional pension scheme between 17 May 1990 and 5 April 1997. This involved considering the methods of equalisation available, the costs of each method, the impact on members' benefits and the administration thereof. This work is now largely complete, although calculations in respect of around 10% of the pensioner population with more complex benefits are still to be undertaken but are expected to be completed during the course of 2023.

The GMPSC is also considering the implications of a second judgement involving the Lloyds Banking Group's defined benefit pension schemes, on 20 November 2020, which concluded that defined benefit (DB) schemes that provided GMPs must revisit and, where necessary, top-up historical cash equivalent transfer values (CETVs) that have been calculated on an unequal basis.

Investment Sub-Committee (ISC)

The ISC is responsible for reviewing the Scheme's investment strategy and Statement of Investment Principles (SIP) and recommending any changes to the Board.

The Trustee delegates the monitoring of its investment managers to the ISC. The ISC meets at least quarterly to monitor the performance of the Scheme's investment managers, and the performance of the Scheme's assets as a whole. The monitoring process involves the comparison of managers' performance against appropriate benchmarks, both over the short and longer term, using performance data provided by the Trustee's investment adviser, to understand the primary drivers of that performance. Any breaches of the guidelines in place for these managers, where the managers have reported such a breach or where such a breach has been identified, would be discussed as part of that review of performance.

On an annual basis the ISC also reviews the managers' (and custodian's) internal control reports which highlight any exceptions reported by the relevant reporting accountants and considers the managers' responses to any such exceptions.

Trustee's Report (continued)

Scheme Management (continued)

The ISC also reviews and makes recommendations to the Board on Environmental, Social and Governance (ESG) matters. It is also responsible for developing a framework for managing climate change risk and recommending metrics to the Board to be used by the ISC to monitor this risk.

Finally, the Trustee's investment advisers provide the Trustee with an annual letter confirming that the investments of the Scheme are satisfactory* in the context of the Scheme's SIP and investment regulations** on the suitability of investments.

* *"satisfactory" is meant in the light of the Pensions Act 1995, as amended by section 245 of Pensions Act 2004 and regulations made under that section.*

** *the Occupational Pension Schemes (Investment) Regulations 2005 reg 4*

Valuation Sub-Committee (VSC)

The VSC is responsible for carrying out detailed discussions with the Bank and Advisers in relation to triennial actuarial valuations and bringing recommendations to the Board for approval. It also reviews the Scheme's funding strategy and Statement of Funding Principles (SFP). The valuation as at 30 September 2022 is currently underway.

Longevity Swap

The Trustee entered into a longevity insurance arrangement on 6 April 2023 that provides long term protection to the Scheme against the costs associated with increases in life expectancy of members. The £1.6bn transaction covers approximately 50% of the Scheme's total exposure to improvements in longevity.

The Scheme is transferring longevity risk to Pacific Life Re International Limited ("PLRe") through a UK intermediary insurer, Zurich Assurance Limited ("ZAL"). The longevity insurance policy will form part of the Scheme's investment portfolio and will provide income to the Scheme in the event that members live longer than currently expected.

Liquidity Facility

During the collateral crisis the Scheme experienced a significant fall in collateral levels within the liability hedging programme and, had yields continued to rise, faced the prospect of having the hedge forcibly reduced / closed at an inopportune moment. If that had occurred, the Scheme could potentially have crystallised a material loss from being underhedged at a time when yields quickly fell. The Scheme was able to avoid any material loss due to the swift action taken by the Trustee to increase collateral levels and intervention by the Bank of England to prevent yields from spiralling further. In order to provide additional liquidity should a similar situation arise in the future, the Scheme approached the Bank with a view to providing a liquid credit facility that would help the Scheme to manage against liquidity risks in the Scheme's assets, and the Bank has since agreed to provide the Trustee with a £75m credit facility.

Trustee's Report (continued)

Scheme Management (continued)

Going Concern

In producing the financial statements and as part of the ongoing business of the Trustee, checks are made in relation to the ability of the Scheme and the Sponsor to operate as a going concern.

The Scheme had very low exposure to Russia, Ukraine, and Belarus and, following enquiry of the Bank, the Trustee is satisfied that the continuing military conflict has no significant impact on the ability of the Bank to support the Scheme.

The market turmoil following the mini-budget in September 2022 led to a sharp fall in the value of UK government bonds and resulted in liquidity issues for some pension schemes that had liability driven investment (LDI). The Scheme's liquidity was maintained at comfortable levels and its funding level was not significantly impacted.

In March 2023, a small number of banks entered financial difficulty, largely as a result of having to sell bonds which had significantly depreciated in value due to significant interest rate increases in 2022. This ultimately led to authorities in the US and Switzerland (where the banks are domiciled) intervening in order to help stabilise markets and control the impact on investors. The Scheme has very little direct exposure to the banks, with a negligible impact on the funding position of the Scheme, and the actions taken by the relevant authorities appear to be working. The Trustee is continuing to monitor the situation for any direct or wider impacts to the Scheme.

Ensuring that the operation is able to continue over the longer term involves an assessment of the solvency and liquidity risks that both the Bank and the Yorkshire and Clydesdale Bank Pension Scheme face. This is supported by advice from the Scheme Actuary, the Scheme Investment Consultant and the Scheme Lawyers as well as the appointed independent Covenant Adviser.

During the period, the Trustee continued to have discussions with the Bank and received reports from its independent Employer Covenant Adviser in relation to the Bank's strength and capital position. The Trustee continues to monitor the funding and risk position of the Scheme. The Trustee agreed to the payment of all outstanding deficit contributions due under the 31 July 2020 Schedule of Contributions (SoC) and those contributions were paid on 30 September 2021.

The Trustee continues to monitor progress with relation to the Bank's past conduct charges and continues to be in discussions with the Sponsor regarding possible future actions. While this is a matter the Trustee will keep under review, it is not anticipated to impact the Sponsor's ability to operate as a going concern for the foreseeable future.

Consideration of all or any of these and the impact they may have on the Scheme are recorded through the Risk Dashboard which is discussed at each of the quarterly meetings both at Board and Sub Committee level.

In addition, the Trustee discusses with the Bank the investment strategy it adopts, the level of risk and how this may impact an agreed journey plan.

Trustee's Report (continued)

Scheme Management (continued)

Going Concern (continued)

In setting the investment strategy, the Trustee ensures adequate liquidity within the investment portfolio, considering:

- The requirement to pay ongoing pensions to retired members
- Upcoming retirements and the potential increase to the monthly payments associated with this
- The level of transfer values being paid from the assets
- The potential collateral calls under the Scheme's swap and REPO agreements

Having given due consideration to the above and having discussed this matter with the principal employer, the Trustee considers that the Scheme remains a going concern.

Capita Cyber Incident

The Trustee was advised by the scheme's administrator, Capita Pension Solutions Limited ('CPLS'), on 31 March 2023 that Capita plc ('Capita') identified a cyber incident which resulted in unauthorised access to its IT systems. Upon discovery, Capita interrupted and restricted the cyber-incident promptly on 31 March 2023.

Capita investigated that incident. That investigation found that a third party, unauthorised by Capita, got access to Capita's IT systems on 22 March 2023. Since that date, CPSL has advised the Trustee that it has employed internal and third-party advisors to establish what data had been exfiltrated during this incident, although it confirmed that its HartLink pension administration platforms were not affected.

CPSL wrote to the Trustee on 19 May 2023 that member personal data, had been exfiltrated during the cyber breach. The Trustee has reported this breach to the Information Commissioners Office (ICO) on 19 May 2023 and has been advised that Capita has made appropriate notifications to all relevant regulators and authorities, including the ICO, and remains in regular contact with them.

The Trustee has complied with the requirements and recommendations of the Pensions Regulator in relation to the cyber incident and has written to impacted members on 26 June and 7 July to advise them of the data breach and warn them to be vigilant to any scams that may arise from the exfiltrated data potentially being publicly available. Capita has offered to provide an Experian credit monitoring service free of charge for one year to members whose data was exfiltrated in the cyber incident.

As far as the Trustee is aware, the incident has not resulted in any financial impact on the Scheme or on members' benefits at this time and therefore there is no risk of material misstatement as a direct result of the cyber incident. However, the Trustee is aware that there is a possibility that some of the exfiltrated data could be used at a future date to create fraudulent transactions resulting in loss to members and claims on the Scheme, although there are identity and verification controls in place at Capita. Whilst it is hoped that this possibility is remote, the Trustee continues to work closely with its legal and other advisers, and with Capita, to mitigate any further risk resulting from the cyber incident and to ensure that the Scheme members affected are protected as far as possible.

Capita has taken extensive steps to recover and secure the data contained within the impacted servers, and also has no evidence that information resulting from this incident is available for sale on the dark web or otherwise. That is because Capita has appointed a third-party specialist adviser who continues to monitor the dark web to confirm that data compromised as a result of this incident is not being circulated or available for sale online. They have been appointed since the earliest days of this incident.

Trustee's Report (continued)

Scheme Management (continued)

Administration and Investment Management Expenses

All costs associated with the administration and investment management of the Scheme are borne directly by the Scheme. The Bank reimbursed £6.0m towards administrative expenses and insurance premiums. The Bank also reimburses the Scheme for the PPF Levy.

Financial Review

The net assets of the Scheme as at 30 September 2022 amounted to £3,222.1m (2021: £4,604.5m) representing a decrease in net assets of £1,382.5m (2021 – decrease of £91.3m). The decrease comprises net outflows from dealings with members of £133.3m (2021: £100.5m) and a negative return on investments of £1,249.1m (2021: £9.1m). Whilst a reduction in the Scheme's net assets was experienced, this had no material impact on the funding level as the Scheme's liabilities also reduced in value.

The financial statements, which have been prepared and audited in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995, are set out from page 37 to 57 and the investment report is set out from page 17 of this report.

Actuarial Position

The most recent formal actuarial valuation of the assets and liabilities of the Scheme was made as at 30 September 2019 and the results are set out in the Actuary's formal report dated 31 July 2020. Details of this and the assumptions used can be found in the Report of Actuarial Liabilities on page 28 of this report. The actuarial certification made for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005 is set out on page 30 of this report. The funding position on a technical provision's basis at 30 September 2021 was 109%.

Trustee's Report (continued)

Scheme Management (continued)

Scheme membership

The number of members and beneficiaries of the Scheme as at 30 September 2022 was as follows:

Members	Active	Deferred	Pensioner	Total
Members at start of year	**18**	**13,374**	**9,190**	**22,582**
Adjustments *	1	(20)	12	(7)
Revised opening membership	19	13,354	9,202	22,575
Leavers	(2)	2	-	-
Commutations	-	(80)	(4)	(84)
Retired	(2)	(355)	357	-
Deaths	-	(17)	(170)	(187)
Transfers out	(1)	(86)	-	(87)
Suspension and reinstatements	-	-	(14)	(14)
New dependants	-	-	79	79
Ineligible children	-	-	(9)	(9)
Members at end of year	**14**	**12,818**	**9,441**	**22,273**

* The adjustments to the opening balance are caused by recording prior year member events within the reporting period. The main reasons for the adjustments are:

- Deferred members retire but a delay occurs in the return of the completed paperwork. The event is recorded on completion, noting the earlier effective date. This also covers the full commutation of benefits at retirement.
- Members pass away prior to the reporting period, but the administrator is not advised until a later date. Again, the event is recorded following notification, but is based on the date the member passed away.
- The update to the member's record is processed post year end and not in the period in which the event originally occurred.

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

Trustee's Report (continued)

Scheme Management (continued)

Changes to the Scheme Rules

No changes to the Scheme Rules were made in the Scheme year to 30 September 2022.

Pension Increase Exchange Options

A Pension Increase Exchange (PIE) option is offered to certain members at retirement. A PIE at retirement does not need to comply with the industry wide voluntary Code of Good Practice. However, the Trustee and Bank have agreed to adhere to the Code where it is appropriate to do so. In particular, independent financial advice is made available for members wishing to pursue this option. In the Scheme year to 30 September 2021, a bulk PIE offer was made to 3,284 members following the GMP equalisation and conversion exercise. 1,250 members accepted the offer with adjustments to their pensions taking effect from December 2021 resulting in an increase to the pensioner payroll of £3m. In the Scheme year to 30 September 2022, a further bulk PIE offer was made to 2,350 members. 590 accepted the offer with adjustments to their pensions taking effect from December 2022 resulting in an increase to the pensioner payroll of £1.1m. An additional bulk PIE offer will be made to a further cohort of members during the 2022/23 Scheme year. The Code of Good Practice was / will be adhered to in the completion of these exercises.

Pension increases

Some pensions in payment (apart from the Guaranteed Minimum Pension (GMP) once it is in payment) are subject to an annual review by the Principal Employer and the Trustee. The majority of pensions, where the member has not exchanged future increases for a higher immediate pension, increase at the following rates (though some historic pensions in payment receive different increases, in line with requirements set out in the Scheme Rules).

- Pensions attributable to service pre-6 April 1997 for Clydesdale members are increased at each review by the rise in the Retail Prices Index, or 2.5% whichever is lower.
- Pensions attributable to service pre-6 April 1997 for Yorkshire members are increased at each review by the rise in the Retail Prices Index, or 5% whichever is lower.
- Pensions attributable to service from 6 April 1997 to 31 March 2006 are increased at each review by the rise in the Retail Prices Index, or 5% whichever is lower.
- Pensions attributable to service from 1 April 2006 are increased at each review by the rise in the Retail Prices Index, or 2.5% whichever is lower.

The increases below and overleaf have been awarded to pensions in payment, in excess of GMP during the last three years.

Clydesdale members

Year	Increase to Pension earned to 5 April 1997	Increase to Pension Earned from 6 April 1997 to 31 March 2006	Increase to Pension Earned after 31 March 2006
2022	2.5%	4.9%	2.5%
2021	1.1%	1.1%	1.1%
2020	2.4%	2.4%	2.4%

Pension increases are paid in January, based on the preceding September RPI.

Trustee's Report (continued)

Scheme Management (continued)

Yorkshire members

Year	Increase to Pension earned to 5 April 1997	Increase to Pension Earned from 6 April 1997 to 31 March 2006	Increase to Pension Earned after 31 March 2006
2022	5.0%	5.0%	2.5%
2021	1.2%	1.2%	1.2%
2020	2.4%	2.4%	2.4%

Pension increases are paid in April, based on the preceding December RPI.

It is normal practice to review pensions in payment and deferment each year with a view to increasing pensions.

Deferred pensions were revalued during the year by the level determined by statutory and Scheme requirements.

Up to 1 January 2015, Clydesdale members who were not former members of the NAB Plan historically received discretionary pension increases in deferment in line with the increases that were applied to pensions in payment. These increases underpin the statutory deferred revaluation requirements.

Calculation of Transfer Values

All transfer values paid during the year were calculated and verified in accordance with regulations made under the Pension Schemes Act 1993.

Transfer value calculations for Clydesdale members (who left before 1 January 2015 and were not former members of the NAB Plan) make allowance for these historic discretionary increases and in line with the Bank's stated intention, assume that all pension increases in deferment from 1 January 2015 will be statutory.

Allowance has been made in the Scheme's current transfer value basis to recognise the requirements of the Lloyds GMP case.

Taxation Status

The Scheme is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed to tax in the normal way.

Trustee's Report (continued)

Scheme Management (continued)

Contributions

The current Schedule of Contributions was signed on 31 July 2020 following the 30 September 2019 actuarial valuation of the Scheme. As the Scheme was in a surplus position, no deficit repair additional contributions were required to be paid; however contractual contributions of £1.8m per month were due to be paid from December 2020 to March 2023.

Following the agreed deferral of deficit contributions from January 2020 to December 2020, the Bank reinstated the monthly contractual contributions of £1.8m and the first contribution was received in January 2021 and paid monthly thereafter. The balance of the outstanding contributions of £35m was paid in full on 30 September 2021.

Summary of contributions

During the year ended 30 September 2022, the contributions payable to the Scheme were as follows:

	£'000
Employer normal contributions*	**250**
Insurance premiums, expenses and PPF levies	**6,084**
Additional	**105**
Employee normal contributions	**56**
Total contributions payable under the Schedule of Contributions	**6,495**
Employee additional voluntary contributions	**2**
Total contributions per note 4 of the financial statements	**6,497**

* Included within the Employer normal contributions are Employee salary sacrifice contributions of £0.02m.

The Schedule of Contributions dated 31 July 2020 required an annual employer contribution of £6.25m in respect of future accrual of benefits and expenses and insurance premiums, of which £0.25m related to employer normal contributions and £6m related to expenses and insurance premiums. Payment was due on 1 October 2021, however the contribution of £6.25m was received on 25 October 2021, which is later than the due date set out in the Schedule of Contributions.

This was due to an administrative oversight.

Investment Matters

Overview

The Trustee, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Scheme and sets out the broad policy to be adopted by each of the appointed fund managers.

Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 3. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The Trustee appoints a number of different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in the Statement of Investment Principles (SIP), in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

To maintain alignment between management of the Scheme's assets and the Trustee's own policies and objectives, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to comment on whether the management of assets is consistent with those policies relevant to the mandate in question. The Trustee reviews the responses provided by the managers.

The Trustee is not involved in the investment managers' day-to-day method of operation and does not seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives. The Trustee will also periodically review the suitability of the Scheme's mandates in the context of the Scheme's wider investment strategy, including considering whether the balance between different kinds of investments remains appropriate, the expected return on the investments, the risks to which the Scheme is exposed and manager remuneration and fees. As part of this process, the Trustee has delegated the detailed monitoring of the Scheme's investment managers to the ISC and its Investment Adviser.

The Trustee considers portfolio turnover when appointing investment managers and monitors the extent to which managers' portfolio turnover levels align to Trustee expectations on an annual basis. Where turnover is not deemed to be aligned with expectations, the Trustee will engage with the manager to better understand why and to ensure the managers are managing assets in a way which is appropriate within the context of their mandate.

Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with the Trustee's long-term objectives. Such fee structures are therefore only used in a limited number of cases.

Trustee's Report (continued)

Investment Matters (continued)

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (SIP) which includes the Trustee's policy relating to environmental, social and governance issues and the exercise of the rights attaching to investments. This document is published online. This Statement may change from time to time as the Trustee decides to alter its policy.

The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

The Trustee takes account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within an integrated risk management framework, which takes account of the Scheme's journey plan and funding time horizon. The Trustee's time horizon reflects the time horizon of the Sponsor's business and the Scheme's maturing liability profile.

The Trustee's policy is that the implementation of the mandate and day-to-day decisions (relating to the investment of the Scheme assets, including the consideration of environmental, social and governance issues and their impact on the portfolio) are left to the discretion of its investment managers. The Trustee, with advice from its investment advisers, monitors these issues with its managers to understand how they exercise these duties in practice.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code 2020 as best practice and encourages its investment managers to comply with the UK Stewardship Code 2020 or explain where they do not adhere to this policy.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisers, looks to take account of the approach taken by investment managers with respect to sustainable investing. This includes considering voting policies and engagement on relevant matters (i.e. the capital structure of investee companies, actual and potential conflicts of interest and other stakeholders), as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement it is the view of the Trustee that the degree of alignment remains unsatisfactory, taking into consideration costs, risks and fiduciary duties, the contract with the manager will be terminated, and the manager replaced.

For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision-making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

The Trustee appoints its investment managers with an expectation of a long-term relationship and engagement, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as significant change in business structure or the investment team.

Trustee's Report (continued)

Investment Matters (continued)

Departures from investment principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by the Scheme's investment managers during the year ended 30 September 2022. Further details, together with a description of the Scheme's voting behaviour is shown in an Implementation Statement at the back of this report.

The current asset allocation does differ from the strategic asset allocation, primarily due to significant increases in UK Government bond yields during 2022, with a particular spike in yields occurring in September 2022, which reduced the value of the Scheme's LDI portfolio relative to the value of other Scheme assets. There are also some differences due to the time required to build up the target allocation to the renewable energy infrastructure fund managed by BlackRock, the Trustee's decision to allow CBREGI a number of years to sell the Scheme's property holdings (in order to achieve the best terms on sale) and timing differences between the decision to disinvest a proportion of the Scheme's alternative credit holdings and the cash settling in the Trustee's bank accounts. The commitments to the infrastructure fund will take time to be fully drawn down as timing is dependent upon the construction of the underlying infrastructure.

Custodial arrangement

All segregated investments in the Yorkshire and Clydesdale Bank Pension Scheme, with the exception of directly held property, are held by Northern Trust, the custodian appointed by the Board of the Yorkshire and Clydesdale Bank Pension Trustee Limited. For the directly held properties within the Scheme, the Scheme's property Solicitor (Pinsent Masons) holds the title deeds and all the properties have registered title at the Land Registry. The underlying assets of pooled investment vehicles are held by the Investment Managers' appointed custodian.

Employer-related investments

As at 30 September 2022, the Scheme had employer-related investments within the meaning of section 40 (2) of the Pensions Act 1995, totaling £0.8 million. Details of these investments have been provided on page 55 of this report.

Trustee's Report (continued)

Investment Matters (continued)

Asset allocation and performance

	Market Value	12 months (%)			3 years (%)			5 years (%)		
	(£m)	Fund	Bench Mark	+/-	Fund	Bench Mark	+/-	Fund	Bench Mark	+/-
Total Scheme	3,203.5	-27.6	-28.3	+1.3	-9.2	-9.8	+0.7	-1.0	-1.2	+0.2
Return-seeking										
BlackRock Passive Equities*	157.8	-4.2	-4.2	-	+7.5	+7.6	-0.1	+8.7	+8.8	-0.1
Property										
CBREGI	84.4	+14.1	+16.5	-2.4	+10.7	+10.0	+0.7	+9.5	+8.7	+0.8
Infrastructure										
BlackRock Renewable Power	31.1	+21.9	+15.6	+6.3	-	-	-	-	-	-
Credit										
LGIM Buy & Maintain Portfolio	371.5	-21.8	-21.8	-	-7.8	-7.8	-	-2.7	-2.7	-
LGIM Buy & Maintain USD Bonds	138.6	-12.2	-12.2	-	-	-	-	-	-	-
abrdn Buy & Maintain Bonds	456.2	-25.5	-25.5	-	-	-	-	-	-	-
Oak Hill Diversified Credit Strategies*	113.5	+11.7	+21.2	-9.5	+4.9	+7.0	-2.1	+6.2	+8.6	-2.3
TWIM Alternative Credit Fund*	195.4	+16.4	+21.2	-4.8	+5.1	+7.0	-1.9	+6.7	+8.6	-1.9
Brigade Alternative Credit*	130.0	+10.6	+21.2	-10.6	+6.9	+7.0	-0.1	-	-	-
LDI Portfolio										
LGIM LDI Portfolio+	958.0	-50.4	-50.4	-	-22.0	-22.0	-	-6.4	-6.4	-
Secure Income Alternatives										
LGIM LPI*	131.1	+10.4	+15.7	-5.3	+7.8	+9.1	-1.2	+7.7	+7.8	-0.1
PGIM UK Ground Lease*	66.5	+4.1	-35.5	+39.6	+2.9	-12.2	+15.0	+3.3	-2.3	+5.5
Knight Frank Long Income Property Fund*	201.9	+8.4	+15.7	-7.3	+5.5	+9.1	-3.6	+5.5	+7.8	-2.3
Alpha Real*	65.0	+10.1	+15.7	-5.6	+6.0	+9.1	-3.1	-	-	-
Greencoat*	104.0	+8.6	+15.7	-7.1	+5.4	+9.1	-3.7	-	-	-
Cash/Currency overlay/other	0.4	-	-	-	-	-	-	-	-	-

Source: Northern Trust

Values may not sum due to rounding

AVC investments of £3.7m are excluded from the above table.

* These funds are disclosed within pooled investment vehicles in the notes to the accounts.

\+ This investment is disclosed within fixed interest and index linked securities, derivatives and cash within the notes to the accounts

Notes: Performance of asset types held during the last year five years, but no longer held, is reflected in the five year fund performance.

Some investments do not have performance numbers because either they have not been funded for the relevant period, or because the performance measurer, Northern Trust do not measure performance (equity options & cash/currency overlay)

The values used in the table above include cash in each of the mandates and as a result may be higher than the values disclosed elsewhere in the notes to the accounts.

Performance figures above have been provided by the Scheme's custodian and in the case of TWIM Alternative Credit Fund, Knight Frank Long Income Property Fund, Alpha Real and Greencoat reflect returns to 31 August 2022 as opposed to 30 September 2022.

Trustee's Report (continued)

Investment Matters (continued)

Market Review – 12 months ending 30 September 2022

Summary

On 16 December 2021, the Bank of England (BoE) raised its interest rate from 0.1% to 0.25%, its first-rate hike in just over three years. The bank's announcement came a day after the publication of the CPI for November 2021, which showed that the prices rose at a higher-than-expected year-on-year rate of 5.1% - well above the bank's 2% target. In February 2022, the BoE raised interest rates to 0.5% and then to 0.75% in March – the highest level since March 2020. The BoE explained the rate hike was to combat rising inflation (which reached 7.0% in the 12 months to March 2022) and due to the strong employment rate. The BoE raised the base rate by 0.25% in two consecutive months (May and June 2022) to take the base rate to 1.25%. The governor of the BoE, Andrew Bailey, stated in June 2022 that the bank was considering a 0.5% rate rise. The BoE raised the base rate by 0.5% in two consecutive months (August and September) to take the base rate to 2.25%. Since the Scheme year end the BoE has further increased the base rate on several occasions.

At the end of September, the UK inflation rate, as measured by the CPI, had risen to 10.1% for the 12 months to September 2022 – the highest rate since 1982 and a stark rise since the low of 0.2% two years earlier. The ongoing conflict between Russia and Ukraine causing fuel prices to soar alongside the global economy's gradual emergence from pandemic-related restrictions, were the main contributor behind the rise in CPI with food costs increasing 14.6% in the year to September, the largest rise since 1980 and exceeding economists' expectations. The Office for National Statistics reported bread and cereals, meat and dairy were the main drivers behind these climbing figures.

In the US, over Q1 2022, the Federal Reserve (the Fed) raised rates by 0.25%, the first hike since 2018. This brought the target rate range to 0.25-0.50%. The chair of the Fed, Jerome Powell, explained that the rate hike was necessary to deal with an "extremely tight labour market and high inflation" and signalled there would be hikes in each of the remaining six policy meetings in 2022. The Fed lifted the federal funds rate by 0.5% in May and then by 0.75% in June 2022, bringing to the target range to 1.5-1.75%. The Fed raised the federal funds rate by 0.75% in July and September, bringing the target range to 3.0-3.25%. Since the Scheme year end the Fed has further increased the target range.

Over the 12 months to 30 September 2022 sterling depreciated against the US dollar and the euro by 17.2% and 2.1% respectively. Sterling appreciated against the Yen by 7.4%.

Equity markets

Over the 12 months to 30 September 2022, equity markets returned negative performance (in Sterling-terms) across all regions except North America, where the market fall was offset by the depreciation of sterling against the US dollar. The FTSE World Index returned -3.6% whilst the FTSE Emerging Index returned -8.5% (both in sterling terms). The FTSE North America Index returned 0.4% whilst China was the worst performing region with -22.0% (both in sterling terms).

Trustee's Report (continued)

Investment Matters (continued)

Market Review – 12 months ending 30 September 2022

Bond markets

UK government bond yields (which move inversely to bond prices) increased over the 12 months to 30 September 2022 reflecting increases in expectations for higher interest rates in the future. Compounding this increase over late 2021 and into 2022 was a period of unprecedented volatility late in September 2022. One of the primary drivers for this was uncertainty over the Government's plans for the economy and Government borrowing. This uncertainty, combined with the need of investors (and UK pension schemes in particular) to collateralise the exposures within their LDI programmes resulted in sharp increases in gilt yields at the end of September. On the 28 September 2022 the Bank of England announced that it would purchase UK Government bonds, restoring some liquidity and confidence to the market and breaking the upward cycle on yields. The time-limited nature of this intervention resulted in further volatility in gilt yields in October 2022.

Long-maturity UK gilts have returned -35.5% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and short maturity UK gilts returned -23.3%.

Inflation-linked gilt yields also increased over the 12-month period. Long-maturity UK index-linked gilts returned -35.4% (as measured by the FTSE-A Index-Linked Gilts Over 15 Years Index) and short maturity UK index-linked gilts returned -25.9%. Over the past year, local currency emerging markets debt outperformed hard currency emerging market debt returning -4.1% and -25.3% respectively.

Alternative investment markets

Commercial UK property (as measured by the IPD Monthly Index) has returned 13.0% over the 12 months to 30 September 2022.

The strategic asset allocation is shown below:

	Strategic Allocation % 2022	Actual %
Total Matching Assets	**88.5**	**77.7**
Liability Driven Investment	48.0	29.9
Buy and Maintain Credit	27.0	30.1
Secure Income Assets	13.5	17.7
Total Return Seeking Assets	**11.5**	**22.3**
Passive Equities	4.0	4.9
Property	0.0	2.6
Infrastructure	2.5	1.0
Alternative Credit	5.0	13.7
Total	**100.0**	**100.0***

*Numbers may not sum to 100% due to rounding.

Trustee's Report (continued)

Investment Matters (continued)

Investment Strategy (continued)

The present value of the Scheme's liabilities is sensitive to changes in interest rates and inflation expectations. In line with the Trustee's decision to match liabilities more closely, the Scheme uses exposure to gilts (including gilts acquired using repurchase agreements), interest-rate derivatives and inflation derivatives to mitigate the risk that changes in interest-rate and inflation expectations could worsen the funding position. These investments are referred to collectively as "Liability-Driven Investment" (LDI). The sensitivity of the Scheme's assets to changes in interest rates (inflation) expectations, as a percentage of the sensitivity of the liabilities, is known as the interest rate (inflation) hedge ratio. Higher hedge ratios mean that more risk has been removed. The target hedge ratios at 30 September 2022 were around 97% for interest rate exposure and 95% for inflation exposure, as a percentage of self-sufficiency liabilities (liabilities valued using a discount rate of gilts + 0.25%). These target hedge ratios are based on exposures from the Scheme's LDI portfolio, UK Corporate Bond Funds and the Scheme's Secure Income Assets. Since the end of the Scheme year the Trustee agreed to reduce the interest rate and inflation hedge ratios to 90% of liabilities, recognising the increased amount of collateral required to support hedging strategies.

The Scheme's Equity holdings were invested in passive strategies. Where an efficient passive option is unavailable (such as in Property or Alternative Credit) or considered sub-optimal (such as Investment Grade Credit), active or "semi-passive" strategies will be used. Post year-end, the equity holdings were sold.

Up to June 2022 the Scheme held some equity options, initiated in September 2013 and funded by the Bank to offer some protection from severe falls in equity markets. These options were allowed to expire over 2022 without being replaced reflecting the reduction in the Scheme's exposure to equity markets in recent years. This exposure has been reduced to 0% since the Scheme year-end.

As at 30 September 2022, the Trustee had remaining commitments to BlackRock's Global Renewable Power Fund III and Alpha Real Wind Renewables Income Fund. The remaining Alpha Real Wind Renewables Income Fund commitment was £9.8m of a total £70m (this has been fully drawn down since 30 September 2022) and the remaining BlackRock Global Renewable Power Fund III commitment was $94.1m (£84.2m) of a total $130m (£116.4m). During the year there were drawdowns of £2.2m by Greencoat, £3.5m by Alpha Real, £21.8m by Knight Frank and $21.5m (£19.3m) by BlackRock (net of a return of drawn down capital during the year; this capital is recallable).

Redemptions

Over the year the Scheme made a number of disinvestments, as follows:

- A partial disinvestment from the Brigade alternative credit fund (fully disinvested post year-end), TWIM and Oak Hill alternative credit funds. These were to rebalance the portfolio towards the target weights alongside a reduction in the target allocation to alternative credit assets from 9% to 4% of assets.
- Ongoing partial disinvestments from the LGIM LDI and BlackRock equity mandates in order to meet the Scheme's cash outflows (including commitments to new funds, pension payments to members and transfers out from the Scheme). Such disinvestments and inflows did not impact the interest rate or inflation rate hedge ratios.
- The Trustee agreed in 2021 to sell the majority of the properties held in a segregated UK Core Property mandate managed by CBREGI. The manager has continued the process of the selling of properties within the portfolio over the last year.
- Since the end of the Scheme year the Trustee has also fully disinvested the Scheme's equity holdings with BlackRock and the remaining alternative credit holdings with TWIM and Oak Hill.

Trustee's Report (continued)

Investment Matters (continued)

Investment performance

The total Scheme absolute returns achieved by the Scheme for each 12-month period since 2018 can be seen below:

Year to September	Absolute return (%)
2018	3.0
2019	23.1
2020	3.3
2021	-0.2
2022	-27.6

The Trustee regularly monitors the returns of the assets relative to changes in the Scheme's liabilities. A full Actuarial Valuation of the Scheme was carried out as at 30 September 2019, reviewing both the funding principles and the liabilities of the Scheme, allowing for up-to-date membership information. The next valuation will be completed as at 30 September 2022.

LGIM have discretion, within the LDI portfolio, to use swaps to manage the Scheme's interest rate and inflation risk. In order to mitigate the counterparty risk and to optimise the risk/return profile of the assets held in the portfolio, the Scheme's swap exposures are all centrally cleared.

Investment risk disclosures

Investment risks are disclosed in note 22 on pages 50 to 54.

Trustee's Report (continued)

Compliance Matters

The purpose of the following paragraphs are to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension and Personal Schemes (Disclosure of Information) Regulations 2013 or voluntarily by the Trustee. The information deals with matters of administrative routine.

Transfer Values

Transfer values are calculated and verified as required under the provisions of the Pension Schemes Act 1993.

Taxation

The Scheme is a Registered Pension Scheme under Chapter 2 of part 4 of the Finance Act 2004.

Related Party Transactions

The Principal Employer has paid the majority of the costs of administering the Scheme for the year, through an annual administration contribution of £6.0m.

Further details of related party transactions are given in note 26 to the financial statements.

Pension Tracing

A pension tracing service is available from the Department for Work and Pensions. The Pension Tracing Service can be contacted at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU.

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 to the Trustee, Clydesdale Bank plc, Human Resources, CBHO Complex, 40 St Vincent Place, Glasgow, G1 2HL.

The Money and Pensions Service ("MaPS")

MaPS is available to assist members and beneficiaries of the Scheme on pension matters.

MaPS may be contacted at Money and Pensions Service, 120 Holborn, London, EC1N 2TD

Telephone: 0800 138 7777

Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where Trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW.

Telephone: 0345 600 7060

Statement of Trustee's Responsibilities

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

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

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

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

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

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

Trustee's Report (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:

YCB Pensions Administration
Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington
DL1 9YT

Telephone: 0800 077 8250

E-Mail: ycb.administration@capita.co.uk

Report of Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustee and the Employer 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 30 September 2019, the valuation as at 30 September 2022 is currently underway. The annual update as at 30 September 2021. This showed that on those dates:

	2021:	2019:
The value of the Technical Provisions was:	£4,228 million	£4,575 million
The value of the assets at that date was:	£4,600 million	£4,719 million

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

Method

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

Significant actuarial assumptions

Discount rate: a term-dependent approach, using the gilt curve plus a margin of 1.35% per annum until 2031 and 0.25% per annum thereafter, applied based on the duration of each cashflow.

Future Retail Price Index (RPI) inflation: weighted average term related assumption derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price index (CPI) inflation: derived from the assumption for future retail price inflation less an adjustment equal to 0.85% per annum until 2030 and 0.35% per annum thereafter to reflect differences between the RPI and CPI indices.

Pension increases: derived from future retail price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Mortality: for the period in retirement, standard tables SAPS S3 normal health middle tables, with a scaling factor of 90.5% for male members and 96.5% for female members. Future improvements are in line with the CMI Core Projections Model (2019), with long-term improvements of 1.5% per year, the core smoothing parameter of 7.0 and an initial addition parameter of 0.5% per year.

Trustee's Report (continued)

Approval of the Trustee's Report

The Trustee's Report was approved by the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme in August 2023 and is signed on its behalf by:

Inderpreet S Dhingra

.... **Date:** 04-08-23 | 13:44 BST ....

Trustee Director

John Hurst

.... **Date:** 04-08-23 | 16:08 BST ....

Trustee Director

Actuarial Certificate of Schedule of Contributions dated 31 July 2020

Yorkshire and Clydesdale Bank Pension Scheme

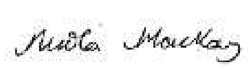
Adequacy of rates of contributions

1. I hereby 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 30 September 2019 to continue to be met during the period of this Schedule.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion. this Schedule of Contributions is consistent with the Statement of Funding Principles dated 30 July 2020.

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 wound up.



Nicola MacKay	Towers Watson Limited
Fellow of the Institute and Faculty of Actuaries	2 Lochrin Square
	96 Fountainbridge
Date 31 July 2020	Edinburgh EH3 9QA
	UK

Authorised and regulated by the Financial Conduct Authority

Schedule of Contributions

Schedule of Contributions dated 31 July 2020

This Schedule of Contributions has been prepared by the Yorkshire and Clydesdale Bank Pension Trustee Limited (the "Trustee"), the trustee of the Yorkshire and Clydesdale Bank Pension Scheme (the "Scheme") after obtaining the advice of the Scheme Actuary, Nicola MacKay FIA. The Trustee has discussed and agreed this schedule with the Principal Employer, Clydesdale Bank PLC (the "Bank").

This schedule has been prepared following the 30 September 2019 actuarial valuation of the Scheme and is dated 31 July 2020. This applies for reference purposes only and the schedule becomes effective from the date of its actuarial certification. The schedule specifies the amounts and due dates of the Bank and member contributions to the Scheme for the five-year period commencing from the date of actuarial certification of this schedule.

1. Employer contributions

The Bank shall contribute at least the following rates to the Scheme:

In respect of future accrual of benefits and expenses and insurance premiums:

- 73.4% of pensionable salaries for those members who remain active within the Scheme and elect an accrual rate of 1/60th * (less estimated member contributions for non-salary sacrifice members), plus
- 57.1% of pensionable salaries for those members who remain active within the Scheme and elect an accrual rate of 1/80th * (less estimated member contributions for non-salary sacrifice members),
- £6.0 million per annum to provide for expenses and insurance premiums.

These contributions are to be paid annually on each 1 October and will be determined based on the Scheme's pensionable salary roll (where relevant) at the preceding 30 June.

** Note that this amount includes notional member contributions in respect of members who elect for Scheme membership via the SMART salary sacrifice arrangement.*

PPF levy

The Bank will also pay a contribution each year in respect of the amount invoiced for the PPF levy for the Scheme.

Additional contributions

In addition to the contributions above, in accordance with the Deed of Agreement between the Trustee and the Bank dated 17 January 2020, the Bank will pay the amounts set out below:

- Contributions of £22.1m per annum, relating to the period between 1 December 2020 and 31 March 2023.

These contributions will be paid to the Scheme as equal monthly instalments, no later than 19 days after the end of the calendar month to which they relate.

These contributions form part of a separate contractual commitment between the Bank and the Trustee. The full amount of all unpaid contributions under this section will be accelerated and become payable immediately if the Bank's parent company pays any dividend prior to 19 April 2023.

The Bank may elect to pay contributions in advance of the due dates set out above and may make further payments as agreed from time to time.

Schedules of Contributions (continued)

Schedule of Contributions dated 31 July 2020 (continued)

2. Employee contributions

Employees who remain active within the Scheme shall contribute during the period covered by the Schedule at the rates set out in the Rules.

Employee contributions will normally be paid to the Scheme monthly no later than 19 days after the end of the calendar month to which they relate.

This Schedule of Contributions may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Schedule of Contributions.

Signed and dated on behalf of Yorkshire and Clydesdale Bank Pension Trustee Limited

Name I.S. Dhingra, Director for The Law Debenture Pension Trust Corporation p.l.c. I.S. Dhingra.

Position TRUSTEE DIRECTOR.

Date 31/07/2020.

Signed and dated on behalf of Clydesdale Bank PLC

Name

Position TREASURER

Date 31/7/20

Independent Auditor's Report to the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme

Opinion

We have audited the financial statements of the Yorkshire and Clydesdale Bank Pension Scheme for the year ended 30 September 2022 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's Statement about Contributions. The Trustee is responsible for the other information contained within the annual report.

Independent Auditor's Report to the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme (continued)

Other information (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's Responsibilities Statement set out on page 26 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determine that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.

Independent Auditor's Report to the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme (continued)

- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries to the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures including obtaining the Trustee's assessment of the risk of material misstatement, review of legal correspondence and complaints logs. In our assessment, we also considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws and regulations, inspecting correspondence with the ICO, the Pension Regulator and review of the Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: 04 AUGUST 2023

Independent Auditor’s Statement about Contributions to the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme

We have examined the summary of contributions to the Yorkshire and Clydesdale Bank Pension Scheme for the Scheme year ended 30 September 2022 which is set out in the Trustee's Report on page 16.

Qualified statement about contributions payable under the Schedule of Contributions

In our opinion, except for the late payment of employer contributions in October 2021, contributions for the Scheme year ended 30 September 2022, as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 31 July 2020.

Basis for qualified statement about Contributions

As explained on page 16, the annual employer contribution in respect of the future accrual of benefits and expenses and insurance premiums amounting to £6.25m was received on 25 October 2021, which is later than the due date of 1 October 2021 as set out in the Schedule of Contributions.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 16 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, 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.

Us® of our Statement

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

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: 04 AUGUST 2x>2- 2 .

Fund Account for the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Contributions and benefits			
Employer contributions		**6,439**	61,017
Employee contributions		**58**	89
Total contributions	4	**6,497**	61,106
Other income	5	**125**	22
		6,622	61,128
Benefits paid or payable	6	**(105,724)**	(98,768)
Payment to and on account of leavers	7	**(28,421)**	(55,192)
Administration expenses	8	**(5,784)**	(7,617)
		(139,929)	(161,577)
Net withdrawals from dealings with Members		**(133,307)**	(100,449)
Returns on investments			
Investment income	9	**105,901**	94,447
Interest payable on repurchase agreements	10	**(6,150)**	(3,435)
Change in market value of investments	11	**(1,334,583)**	(66,715)
Investment management expenses	16	**(14,323)**	(15,181)
Net returns on investments		**(1,249,155)**	9,116
Net decrease in the fund during the year		**(1,382,462)**	(91,333)
Net assets of the Scheme at 1 October 2021		4,604,514	4,695,847
Net assets of the Scheme at 30 September 2022		**3,222,052**	4,604,514

The accompanying notes on pages 39 to 57 are an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 30 September 2022

	Note	2022 £'000	2021 £'000
Investment assets:			
Bonds	11	**2,896,352**	4,098,564
Pooled investment vehicles	17	**1,218,676**	1,134,637
Derivatives	18	**129,265**	41,597
Property	19	**58,765**	82,780
AVC investments	20	**3,722**	4,440
Cash deposits	11	**179,180**	187,064
Other investment balances	12	**60,836**	32,476
Amounts receivable on reverse repurchase agreements	13	**341,112**	233,908
		4,887,908	5,815,466
Investment liabilities:			
Derivatives	18	**(193,010)**	(46,897)
Other investment balances	12	**(339,524)**	(248,466)
Amounts payable on repurchase agreements	13	**(1,144,435)**	(952,955)
		(1,676,969)	(1,248,318)
Total net investments		**3,210,939**	4,567,148
Current assets	23	**16,106**	45,422
Current liabilities	24	**(4,993)**	(8,056)
Net assets of the Scheme as at 30 September 2022		**3,222,052**	4,604,514

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report of Actuarial Liabilities on page 28 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 39 to 57 form an integral part of these financial statements.

These financial statements were approved by the Trustee on:

Director: Inderpreet S Dhingra
Date: 04-08-23 | 13:44 BST

Director: John Hurst
Date: 04-08-23 | 16:08 BST

Notes to the Financial Statements

1. Basis of preparation

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

2. Identification of the financial statements

The Scheme is established as a Trust under English Law. The Registered address of the Scheme is at 30 St Vincent Place, Glasgow, G1 2HL.

3. Accounting policies

The principal accounting policies of the Scheme, which have been consistently applied, are as follows:

Presentation currency

The Scheme functional and presentation currency is pounds sterling. 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.

Contributions

Employee contributions, including AVCs, are accounted for by the Trustee on an accruals basis in accordance with the Schedule of Contributions under which they are paid.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions under which they are paid.

Additional contributions are accounted for on the due dates on which they are payable or when received in accordance with the Schedule of Contributions under which they are paid.

Contributions to provide for insurance premiums, expenses and PPF levies are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions under which they are paid.

Employer augmentation contributions are paid from time to time by the employer to fund benefit improvements on terms agreed with the Trustee. These contributions are accounted for on an accruals basis in accordance with the agreement under which they are payable.

Additional payments are paid from time to time by the employer to fund the purchase of equity options entered for the purpose of reducing risk. These are accounted for on an accruals basis.

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Payments to members

Benefits are accounted for on the later of the date on which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, benefits are accounted for on the date of retiring, leaving or notification of death.

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

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

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, this is shown separately within benefits.

Expenses, Investment Manager expenses and other payments

Expenses are accounted for on an accruals basis.

Investment income

Income from cash and short-term deposits is accounted for on an accruals basis.

Dividends from equities are accounted for on the ex-dividend date.

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

Rental income is accounted for on an accruals basis.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Other income is accounted for on a cash basis.

Investments

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.

Investments are included at fair value as described below:

Fixed interest and index-linked securities are stated at their clean prices. Accrued interest is excluded from the market value of fixed income securities and is included in other investment balances.

Investment properties have been valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards 2017 – Global & UK (the 'Red Book'). The valuations have been carried out at 30 September 2022 by Avison Young, Chartered Surveyors, who have recent experience in the locations and class of the investment properties held by the Scheme.

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

The market values of the additional voluntary contribution (AVC) investments are included in the net assets of the Scheme as calculated by the AVC providers providing the policies and accepted by the Trustee. The AVCs are invested in a mix of with-profit policies, deposit funds, and unit-linked funds.

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Investments (continued)

Over the counter (OTC) derivatives are valued using the following valuation techniques:

Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

Exchange traded options are valued at their mark-to-market value, which is the quoted price of selling a bought option or buying a sold option at the year end.

Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering an equal and opposite contract at that date.

Collateral received in the form of cash, where the Scheme has contractual rights to receive the cash flows generated, is recognised as an asset in the net asset statement with a corresponding liability for its repayment. Non-cash collateral received is not recognised in the net asset statement, unless the counterparty defaults on its obligations under the relevant agreement.

Exchange traded futures are valued as the sum of the daily mark-to-market value, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Other Investment Arrangements

Securities delivered under repurchase agreements are recognised as assets of the Scheme.

Cash received from repurchase contracts is recognised as an investment asset and an investment liability is recognised for the amount of the repurchase obligations.

The cash delivered under the reverse repurchase agreement is recognised as a receivable. Securities received under reverse repurchase agreements are not recognised as assets of the Scheme and are disclosed as collateral supporting this receivable, unless sold. The obligation to buy back the securities sold is recognised as a liability.

Taxation

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

Notes to the Financial Statements (continued)

4. Contributions

	2022 £'000	2021 £'000
Employer contributions		
Normal	**250**	400
Additional contractual funding	**-**	51,567
Augmentation	**-**	75
Insurance premiums, expenses and PPF levies	**6,084**	5,806
Additional payments	**105**	3,169
	6,439	61,017
Employee contributions		
Normal	**56**	86
Additional voluntary contributions	**2**	3
	58	89
	6,497	61,106

Employer normal contributions include £0.02m in respect of members contributing by salary sacrifice (2021: £0.03m).

In line with the Schedule of Contributions, the Employer paid £6.0m to cover expenses and insurance premiums during the year. The additional £0.08m is in respect of the PPF levy invoices paid during the Scheme year.

The Schedule of Contributions signed 31 July 2020 notes the payment of additional contractual contributions at the new agreed rate of £22.1m per annum to be paid in equal monthly instalments for the period 1 December 2020 through to 31 March 2023.

The remainder of the additional contractual contributions owing to the Scheme for the period September 2021 to March 2023 amounting to £35m was paid on 30 September 2021. No further additional amounts are currently payable.

Augmentations represent payments by the employer to augment the benefits of certain members.

During the year additional payments of £0.07m (2021: £3.2m) were made by the employer to fund the purchase of equity options, entered into for the purpose of reducing risk. This figure has decreased this year as the equity options are being allowed to expire and are not being renewed. The remaining amount in additional payments relates to a severance waiver.

The Scheme closed to future accrual for the majority of active membership on 31 July 2017.

5. Other income

	2022 £'000	2021 £'000
Claims on insured death benefits	**1**	10
Other income	**9**	12
Compensation	**115**	-
	125	22

The compensation above relates to a payment made from the previous administrator in relation to losses arising from errors made by that administrator and also compensation.

Notes to the Financial Statements (continued)

6. Benefits paid or payable

	2022 £'000	2021 £'000
Pensions	**95,623**	89,521
Commutations of pensions and lump sum retirement benefits	**10,036**	9,181
Death benefits	**65**	66
	105,724	98,768

7. Payments to and on account of leavers

	2022 £'000	2021 £'000
Individual transfers out to other schemes	**28,421**	55,192

8. Administration expenses

	2022 £'000	2021 £'000
Administration and processing	**2,999**	3,400
Actuarial and consultancy fees	**2,282**	3,540
Audit fees	**94**	91
Legal fees	**208**	427
Pension Protection Fund	**190**	154
Other fees and expenses	**11**	5
	5,784	7,617

The Scheme bears all costs of administration.

9. Investment income

	2022 £'000	2021 £'000
Net rents from properties	**4,107**	5,627
Income from pooled investment vehicles	**39,850**	32,361
Interest on cash deposits	**1,068**	94
Income from bonds	**60,876**	56,365
	105,901	94,447

Net rents from properties are stated after deducting £1.9m (2021: £1.5m) of property-related expenses.

10. Interest payable on repurchase agreements

	2022 £'000	2021 £'000
Interest payable on repurchase agreements	**(6,150)**	(3,435)

The Scheme incurs interest at money market rates payable on monies advanced to it under repurchase agreement contracts. These advances are secured on the Scheme's existing bond portfolio. The above amounts are net of interest receivable on monies advanced by the Scheme under reverse repurchase agreements.

Notes to the Financial Statements (continued)

11. Investments held at the beginning and end of the year

	Value at 1 October 2021 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Value at 30 September 2022 £'000
Bonds	4,098,564	**272,708**	**(153,085)**	**(1,321,835)**	**2,896,352**
Pooled investment vehicles	1,134,637	**46,707**	**(21,278)**	**58,610**	**1,218,676**
Property	82,780	**-**	**(33,771)**	**9,756**	**58,765**
Derivatives	(5,300)	**140,396**	**(113,191)**	**(85,650)**	**(63,745)**
AVC investments	4,440	**32**	**(510)**	**(240)**	**3,722**
	5,315,121	**459,843**	**(321,835)**	**(1,339,359)**	**4,113,770**
Cash and cash equivalents	187,064			**4,776**	**179,180**
Repurchase and Reverse repurchase agreements	(719,047)				**(803,323)**
Other investment balances	(215,990)				**(278,688)**
	4,567,148			**(1,334,583)**	**3,210,939**

12. Other investment balances

	2022 £'000	2021 £'000
Accrued income	**22,698**	21,053
Pending trade sales	**1,996**	11,423
Amounts due from brokers	**36,142**	-
Other investment assets	**60,836**	32,476
Interest payable on repurchase agreements	**(7,342)**	(2,904)
Pending trade purchases	**(5,608)**	(11,803)
Amounts due to brokers	**-**	(5,357)
Bonds	**(326,574)**	(228,402)
Other investment liabilities	**(339,524)**	(248,466)
Net other investment balances	**(278,688)**	(215,990)

The Pending trade purchases in the prior year have been reclassified from Amounts due to brokers as per the SORP.

As at 30 September 2022, the negative bonds were £327m (2021 - £228m) this represents an obligation to buy back bonds received as collateral assets under reverse repurchase agreements that were subsequently sold by the Scheme. The obligation thus exposes the Scheme to changes in value of these collateral assets for the duration of the repurchase agreement.

At 30 September 2022, cash variation margin of £36m (2021 - £5.4m) had been received relating to the increase in value of centrally cleared swaps. On the sale of these swaps, the sale proceeds would exclude the variation margin previously received. Hence, £36m (2021 - £5.4m) is shown within amounts due from brokers.

Notes to the Financial Statements (continued)

13. Repurchase Agreements

	2022 £'000	2021 £'000
Amounts receivable under reverse repurchase agreements	**341,112**	233,908
Amounts payable under repurchase agreements	**(1,144,435)**	(952,955)
Net repurchase agreements	**(803,323)**	(719,047)

The Scheme uses gilt repurchase agreements ('repo') and reverse repurchase agreements ('reverse repo') as part of the management of its LDI portfolio. These can allow the Scheme to maintain its target level of interest rate and inflation hedging on better terms than via derivative instruments.

Repurchase agreements – Against amounts payable by the Scheme of £1,151m (this includes accrued interest of £6.7m) (2021: £956m), the Scheme had delivered bonds which had a value at 30 September 2022 of £919m (2021: £943m). These are included within 'bonds' in note 11.

Reverse repurchase agreements – Against amounts due to the Scheme of £342m (2021: £235m), the Scheme had received pledged bonds with a value at 30 September 2022 of £327m (2021: £228m). Of the bonds received, bonds with a value at 30 September 2022 of £327m (2021: £228m) had been sold. The liability to buy these back in order to return them under the reverse repurchase agreement is included in note 12.

Collateral is payable/deliverable as the value of bonds changes under both repurchase and reverse repurchase agreements. As at 30 September 2022, the Scheme held collateral valued at £5m (2021: £7m) which had been received from REPO counterparties. There were no collateral positions pledged as at 30 September 2022 for derivatives or repo agreements.

14. Concentration of investments

The Scheme's investments over 5% of net assets are as follows:

	2022 £'000	2022 %	2021 £'000	2021 %
Knight Frank Long Income Property Unit Trust	**201,867**	**6.3**	n/a*	n/a
TWIM Alternative Credit	**195,184**	**6.1**	n/a*	n/a

*This is <5% in the prior year, therefore n/a.

15. Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Transaction costs related to fees incurred on property transactions amounted to £397 k (2021: £646k).

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

16. Investment management expenses

	2022 £'000	2021 £'000
Administration, management and custody	**14,323**	15,181

Notes to the Financial Statements (continued)

17. Pooled investment vehicles

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

	2022 £'000	2021 £'000
Equity	**157,827**	174,237
Property and Infrastructure	**622,168**	554,785
Alternative Credit	**438,681**	405,615
	1,218,676	1,134,637

The increase in Property and Infrastructure is due to the drawdowns on Knight Frank, Greencoat and BlackRock during the year.

The increase in Alternative Credit is due to these funds being largely invested in US assets and the appreciation of the dollar against sterling during the year.

18. Derivatives

At the year end the Scheme held the following derivatives:

	Asset value at year end 2022 £'000	Liability value at year end 2022 £'000	Asset value at year end 2021 £'000	Liability value at year end 2021 £'000
Swaps	**109,553**	**(145,424)**	32,336	(26,459)
Forward exchange contracts	**326**	**(47,586)**	-	(19,845)
Options	**-**	**-**	2,251	(593)
Futures	**19,386**	**-**	7,010	-
	129,265	**(193,010)**	41,597	(46,897)

Objectives and policies

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

Swaps – the Trustee's aim is to match as far as possible the Liability Driven Investment (LDI) portfolio to the Scheme's long-term liabilities, in relation to their sensitivities to interest and inflation rate movements. The Trustee has entered into OTC interest and inflation rate swaps that increase the duration and inflation sensitivity of the fixed income portfolio to better match the long-term liabilities of the Scheme.

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

Options – Equity option contracts have been entered into in order to allow the Scheme to benefit from potentially greater returns from equities whilst mitigating the risk of loss through adverse market movements.

Futures – Where foreign currency bonds have been purchased, long-term interest rate futures in the same currency have been sold to mitigate the impact of adverse interest rate movements in that currency.

Notes to the Financial Statements (continued)

18. Derivatives (continued)

Objectives and policies (continued)

(i) **Swaps**

Contract	Expiration	Notional Amount £'000	Asset value at year end 2022 £'000	Liability value at year end 2022 £'000	Asset value at year end 2021 £'000	Liability value at year end 2021 £'000
IR swap	0-10 years	**385,007**	**-**	**(24,527)**	252	(2,726)
IR swap	11-20 years	**139,295**	**-**	**(40,542)**	6,169	(4,390)
IR swap	21-30 years	**194,751**	**23,903**	**(52,689)**	1,937	(13,573)
IR swap	31-40 years	**39,961**	**784**	**(23,417)**	-	(5,744)
RPI swap	0-10 years	**443,270**	**62,477**	**-**	11,984	(26)
RPI swap	11-20 years	**108,100**	**17,882**	**-**	5,997	-
RPI swap	21-30 years	**6,335**	**-**	**(521)**	-	-
RPI swap	31-40 years	**5,540**	**-**	**(686)**	-	-
RPI swap	41-50 years	**15,136**	**4,507**	**(3,042)**	5,997	-
			109,553	**(145,424)**	32,336	(26,459)

As at 30 September 2022 the Scheme had £NIL collateral held or pledged in respect of OTC Swaps in bonds or cash.

(ii) **Forward Foreign Exchange Contracts outstanding (FX)**

	Settlement date	Currency bought 2022 '000	Currency sold 2022 '000	Asset value at year end 2022 £'000	Liability value at year end 2022 £'000
Forward OTCs	<3 months	£43,971	€(51,304)	**-**	**(1,133)**
Forward OTCs	<3 months	$4,923	£(4,081)	**326**	**-**
Forward OTCs	<3 months	£640,457	$(767,329)	**-**	**(46,453)**
				326	**(47,586)**

The Assets and Liabilities as at 30 September 2021 were £nil and (£19,845k) respectively.

Notes to the Financial Statements (continued)

18. Derivatives (continued)

(iii) Options

Type of options	Expiration	Asset value at year end 2022 £'000	Liability value at year end 2022 £'000	Asset value at year end 2021 £'000	Liability value at year end 2021 £'000
Put Options	<3 months	**-**	**-**	-	-
Put Options	<6 months	**-**	**-**	1,459	(365)
Put Options	<9 months	**-**	**-**	792	(228)
		-	**-**	2,251	(593)

The underlying investments for all put options are global equity market indices. The options have all now expired, and the Scheme doesn't intend to renew them.

(iv) Futures

Nature	Duration	Asset value at year end 2022 £'000	Liability value at year end 2022 £'000	Asset value at year end 2021 £'000	Liability value at year end 2021 £'000
EUREX Euro-Buxl futures sold	Dec-22	**183**	**-**	207	-
EUREX Euro-Bond futures sold	Dec-22	**889**	**-**	584	-
EUREX Euro-Bobl futures sold	Dec-22	**500**	**-**	32	-
EUREX Euro-Schatz futures sold	Dec-22	**3**	**-**	-	-
US T-Bonds futures sold	Dec-22	**17,811**	**-**	6,187	-
		19,386	**-**	7,010	-

19. Property

	2022 £'000	2021 £'000
Freehold Property	**53,015**	71,030
Leasehold Property	**5,750**	11,750
Total	**58,765**	82,780

Notes to the Financial Statements (continued)

20. AVC investments

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2022 £'000	2021 £'000
Prudential Assurance Company Limited	**29**	33
Standard Life (part of Phoenix group)	**35**	35
Utmost Life and Pensions	**296**	352
Aviva Plc	**3,362**	4,020
	3,722	4,440

21. Fair value determination

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment 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 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 fall within the above hierarchy levels as follows:

As at 30 September 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Bonds	**-**	**2,896,352**	**-**	**2,896,352**
Pooled investment vehicles	**-**	**157,827**	**1,060,849**	**1,218,676**
Property	**-**	**-**	**58,765**	**58,765**
Derivatives	**19,386**	**(47,260)**	**(35,871)**	**(63,745)**
AVC investments	**-**	**-**	**3,722**	**3,722**
Cash	**179,180**	**-**	**-**	**179,180**
Other investment balances	**(301,386)**	**22,698**	**-**	**(278,688)**
Repurchase and reverse repurchase agreements	**(803,323)**	**-**	**-**	**(803,323)**
	(906,143)	**3,029,617**	**1,087,465**	**3,210,939**

Notes to the Financial Statements (continued)

21. Fair value determination (continued)

As at 30 September 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Bonds	-	4,098,564	-	4,098,564
Pooled investment vehicles	-	174,238	960,399	1,134,637
Property	-	-	82,780	82,780
Derivatives	8,668	(19,845)	5,877	(5,300)
AVC investments	-	-	4,440	4,440
Cash	187,064	-	-	187,064
Other investment balances	(237,043)	21,053	-	(215,990)
Repurchase and reverse repurchase agreements	(719,047)	-	-	(719,047)
	(760,358)	4,274,010	1,053,496	4,567,148

22. Investment risk disclosures

Types of risk relating to investment

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: 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.

Notes to the Financial Statements (continued)

22. Investment risk disclosures (continued)

The Scheme has exposure to the above risks because of the investments it makes to implement the investment strategies. The Trustee considers its investment risks when setting the Scheme's strategic investment objectives. These investment objectives and the overall level of risk are implemented through investments in pooled investment vehicles and segregated investment mandates with investment managers, which are monitored by the Trustee through regular reviews of the investment portfolio. The investment objectives of the Scheme are further detailed in the Statement of Investment Principles.

Investment strategy

The Trustee is responsible for determining the Scheme's investment strategy.

The principal objectives for the Trustee are to ensure that:

a the Scheme is able to provide the benefits set out in the Trust Deed and Rules through investing in a diversified portfolio of assets, that are sufficiently liquid, having taken account of the Scheme's liabilities and considering its risk tolerance in the context of the Trustee's evaluation of the Employer covenant; and

b the investment return targeted from time to time is appropriate, having regard to the funding position from time to time, the Trustee's funding objective and the Trustee's assessment of the Employer covenant.

In seeking to achieve these objectives, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time.
- limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions.
- establish the Scheme's asset allocation and manager structure. The Trustee receives advice from the Investment Consultant and will consider the risk and return assumptions of particular asset classes/investment opportunities and how this will affect the risk and return characteristics of the Scheme's assets as a whole.

Credit risk

The Scheme is subject to two main types of credit risk:

- Direct credit risk represents the Scheme's exposure to the credit risk of counterparties and arises through the Scheme's investment in pooled investment vehicles, and through segregated mandates that are exposed to credit risk (comprising the Scheme's holding in its LDI, UK corporate bond mandates managed by LGIM and abrdn, equity options mandate with LGIM (disinvested over 2022) and its holdings in the CBREGI Property and Northern Trust cash accounts).
- Indirect credit risk arises as a result of the credit risk of underlying investments held in pooled investment vehicles, where relevant.

Notes to the Financial Statements (continued)

22. Investment risk disclosures (continued)

Investment strategy (continued)

Direct credit risk

As at 30 September 2022, £1,225m (2021: £1,138m) of the Scheme's investments were held in pooled investment vehicles and cash. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Direct cash holdings provide a source of credit risk. This cash balance is maintained within the Trustee bank account and with an institution that is investment grade rated.

Direct credit risk also arises in relation to underlying investments held in segregated investment mandates. The Scheme is exposed to direct credit risk in this way through its investments in UK Corporate Bonds (managed by LGIM and abrdn), the Scheme's LDI Portfolio, currency hedging portfolio and equity options fund (all managed by LGIM) and the UK property fund (managed by CBREGI).

Direct credit risk in these segregated mandate funds is managed by the Scheme's managers using several methods. In relation to the UK Corporate Bond mandates, LGIM and abrdn undertake credit analysis and diversify the portfolio across a range of high-quality securities. With respect to the LGIM hedging portfolio, LGIM manage credit risk for derivative holdings using collateral arrangements to back the portfolio and diversifying such derivative exposure across a range of investment grade rated bank counterparties and the use of centrally cleared swaps with a clearing house. CBREGI manages credit risk by investing in properties with a diverse range of tenants. .

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

	2022 **£'m**	**2021** **£'m**
Unit linked insurance contracts	**288.9**	297.1
Authorised unit trusts	**356.4**	322.9
Shares of limited liability partnerships	**134.7**	109.0
Open ended investment companies	**438.7**	405.6
	1,218.7	1,134.6

Indirect credit risk

The total exposure to indirect credit risk at 30 September 2022 was £1,042m (2021: £941m).

The Scheme's pooled fund holdings which result in an exposure to indirect investment credit risk are as follows:

- Fixed interest securities issued by companies which, compared to bonds issued or guaranteed by governments, are exposed to greater risk of default in the repayment of the capital provided to the company or interest payments due.

Notes to the Financial Statements (continued)

22. Investment risk disclosures (continued)

Indirect credit risk (continued)

- Bonds issued or guaranteed by governments also provide indirect credit risk, as cash flows may be impaired in the event of a sovereign default, however this risk is typically considered less than corporate default for the majority of developed countries. The Scheme's investment in the TWIM Fund has some exposure to government debt, primarily in emerging market countries which are generally viewed as having a higher level of default risk than most developed market government debt.
- The Scheme has also invested funds in three 'alternative credit' pooled funds managed by TWIM, Oak Hill and Brigade (although, since 30 September, the Trustee has fully disinvested from these mandates). These pooled funds invest in a range of loans and higher yielding bonds and other instruments. TWIM invests in these assets indirectly, by investing funds with a range of underlying managers who directly invest the monies.
- Securities issued by pooled property and infrastructure investments also provide indirect credit risk, as income may be impaired in the event of a market downturn. The Scheme's pooled exposure to such investments is via investments with LGIM, Knight Frank, PGIM, Alpha Real, Greencoat and BlackRock (through the Global Renewable Power III Fund).

This risk is mitigated by ensuring that the range of investments across the screened bond and pooled property and infrastructure funds is well diversified.

Currency risk

Investments priced in foreign currencies are subject to direct risks whereas the sterling priced investments with underlying foreign currency priced holdings are subject to indirect risk.

The Scheme is subject to indirect currency risk because some of its sterling denominated investments are in companies with overseas activity. LGIM manages the Scheme's currency hedging arrangements via a currency overlay. Currency risk associated with the Scheme's buy-and-maintain corporate bonds is fully hedged. For the remaining exposure, over the year the Trustee agreed to continue to hedge the majority (80%) of the Scheme's exposure to the US dollar and to cease hedging the Scheme's Japanese Yen and Euro exposure (reflecting material reductions in the exposure to these currencies). As at 30 September 2022, £1,218m (2021: £1,392m) of the Scheme's investments were subject to currency risk.

The Trustee recognises the risk that fluctuations in foreign exchange rates may reduce the returns on these investments.

Interest rate risk

The Scheme holds a number of investments that are subject to direct interest rate risk:

- In the case of the segregated LDI mandate, this investment is held to offset in part the impact of changes in interest rates on the value placed on the Scheme's liabilities. If interest rates fall, the value of the interest-rate-sensitive assets will rise to offset some of the increase in actuarial liabilities from a fall in the discount rate. Similarly, if interest rates rise, the investments will fall in value as will actuarial liabilities because of an increase in the discount rate.

Notes to the Financial Statements (continued)

22. Investment risk disclosures (continued)

Interest rate risk (continued)

- In the case of the LGIM and abrdn corporate bond mandates and alternative credit mandates these investments are held because they are expected to deliver a long-term rate of return in excess of the Scheme's liabilities. The value of these assets is sensitive to changes in interest rates.
- The Scheme invests in a segregated UK property portfolio managed by CBREGI that has a direct interest rate risk and five pooled Secure Income Asset investments; managed by LGIM, PGIM, Knight Frank, Alpha Real and Greencoat with an indirect interest rate risk. All of these investments are subject to interest rate risk and are expected to provide a return in excess of the return on liabilities over the long term.

Cash holdings are also exposed to interest rate risk. The total value of the Scheme's assets subject to interest rate risk was £3,049m (2021: £4,388m).

Other price risk

The Scheme has investments held in both return seeking and liability matching assets that are exposed to other indirect price risk, which include global equities as well as property, infrastructure, secure income assets and alternative credit investments. The total value of the Scheme's assets subject to other price risk was £2,242m (2021: £3,312m). The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The Scheme also invests in equity option derivatives to limit the risk of a fall in equity markets on the funding position. The options have expired during the year and have not been renewed.

A summary of the Scheme's risk exposures is as follows:

			Risk Categorisation *Market Risk*		
Fund	*Indirect Credit*	*Direct Credit*	*Currency*	*Interest Rate*	*Other Price Risk*
Blackrock Passive Equities		✓	✓		✓
CBREGI Property		✓		✓	✓
Knight Frank Long Income Property	✓	✓		✓	✓
LGIM Corporate Bonds		✓		✓	
LGIM USD Bonds		✓	✓	✓	
abrdn Corporate Bonds		✓	✓	✓	
BlackRock Cash		✓	✓	✓	
LGIM LDI portfolio		✓		✓	✓
LGIM LPI Property Fund	✓	✓		✓	✓
LGIM Equity Options		✓	✓	✓	✓
Cash/Currency Overlay (Northern Trust)		✓	✓	✓	✓
PGIM UK Ground Lease Fund	✓	✓		✓	✓
Oak Hill Diversified Credit Strategies	✓	✓	✓	✓	✓
TWIM Alternative Credit	✓	✓	✓	✓	✓
Brigade Alternative Credit	✓	✓	✓	✓	✓
Greencoat Solar II Fund	✓	✓		✓	✓
Alpha Real Wind Renewables	✓	✓		✓	✓
BlackRock Global Renewable Power	✓	✓	✓	✓	✓

Notes to the Financial Statements (continued)

23. Current assets

	2022 £'000	2021 £'000
Due from employer	**84**	82
Cash balances	**13,174**	41,827
Other debtors	**2,174**	2,067
Property debtor	**674**	1,446
	16,106	45,422

The above contributions due from the employer at the year-end were received after the year-end in accordance with the Schedule of Contributions. The balance due from employer above represents the reimbursement of the PPF Levy. The prior year's cash balance above of £41,827 includes the deficit contribution of £35m received at the end of September 2021.

Other debtors are in respect of investment income receivable on the Knight Frank portfolio.

24. Current liabilities

	2022 £'000	2021 £'000
Accrued expenses	**727**	3,446
Property Creditor	**1,817**	3,159
Unpaid benefits	**1,177**	355
HMRC - PAYE	**1,272**	1,096
	4,993	8,056

The decrease in the level of accruals is due to the investment managers becoming more efficient at invoicing in a timely manner, the prior year's accruals included over 15 months of invoices for certain investment managers, this year we have only had to accrue for the last quarter in most cases.

25. Self-investment

The Occupational Pension Schemes (Investment) Regulations 2005 provide that the proportion of the current market value of a pension scheme's resources that may at any time be invested in employer-related investments must not exceed 5%. As at 30 September 2022 the Scheme had self-investments totaling £0.8m (i.e. less than 0.025% of total assets (2021: £2.5m less than 0.1% of total assets). These investments were as follows:

	Value of Assets (£m)	
	2022	**2021**
Equities (pooled passive)	**0.00**	0.01
Other pooled investment vehicles	**0.80**	2.49

The self-investment values above do not account for cash held in the Trustee bank accounts.

Notes to the Financial Statements (continued)

26. Related party transactions

The Scheme uses Clydesdale Bank Plc trading as Virgin Money, which is the principal employer as its banker. The Scheme received £52,505 of interest on bank accounts during the year (2021: £ NIL). This is included within interest on cash deposits in note 9.

Payments made to the Employer for administration expenses amount to £231,967 (2021: £219,408). This is included in administration and processing expenses in note 8.

Trustee services fees paid to all Trustee Directors in respect of the year amounted to £270,834 (2021: £387,081). This is included in actuarial and consultancy fees in note 8.

Pensioner member nominated Trustee Directors were paid fees as follows, which were also included in note 8:

A Duncan	£25,000	(2021: £25,000)
J Hurst	£23,000	(2021: £23,000)

Both of the above-named Trustee Directors also receive pensions from the Scheme.

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

27. Capital commitments

As at 30 September 2022, the Trustee had remaining commitments to BlackRock's Global Renewable Power Fund III and Alpha Real Wind Renewables Income Fund. The remaining Alpha Real Wind Renewables Income Fund commitment was £9.8m of a total £70m (this has been fully drawn down since 30 September 2022) and the remaining BlackRock Global Renewable Power Fund III commitment was $94.1m (£84.2m) of a total $130m (£116.4m). During the year there were drawdowns of £2.2m by Greencoat, £3.5m by Alpha Real, £21.8m by Knight Frank and $21.5m (£19.3m) by BlackRock (net of a return of drawn down capital during the year; this capital is recallable).

28. GMP Equalisation

As mentioned on page 8 of the Trustee's report, on 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts from April 2021. Benefits for new retirees have been put into payment on an equalised basis. The work to equalise pensioners is now largely complete and amounts to a total uplift to the pensioner payroll is around £0.2m per annum, although calculations in respect of around 10% of the pensioner population with more complex benefits are still to be undertaken but are expected to be completed during the course of 2023.

A second judgement involving the Lloyds Banking Group's defined benefit pension schemes, on 20 November 2020, concluded that defined benefit (DB) schemes that provide GMPs must revisit and, where necessary, top up historic cash equivalent transfer values (CETVs) that have been calculated on an unequal basis. The Trustee of the Scheme is aware that this issue will have an impact on the Scheme, however at this stage it is not in a position to obtain a reliable estimate of the financial impact. The Scheme Actuary has confirmed that the order of magnitude figure in the Company accounts is reasonable and in her view is immaterial in the context of the Scheme as a whole. Any related additional liability will be recognised in the financial statements once the Trustee is able to provide a reliable estimate.

Notes to the Financial Statements (continued)

29. Capita Cyber Incident

The Trustee was advised by the scheme's administrator, Capita Pension Solutions Limited ('CPSL'), on 31 March 2023 that Capita plc ('Capita') identified a cyber incident which resulted in unauthorised access to its IT systems. Upon discovery, Capita interrupted and restricted the cyber-incident promptly on 31 March 2023.

Capita investigated that incident. That investigation found that a third party, unauthorised by Capita, got access to Capita's IT systems on 22 March 2023.

Since that date, CPSL has advised the Trustee that it has employed internal and third party advisors to establish what data had been exfiltrated during this incident, although it confirmed that its Hartlink pension administration platforms were not affected.

CPSL wrote to the Trustee on 19 May 2023 that member personal data, had been exfiltrated during the cyber breach.

The Trustee has reported this breach to the Information Commissioners Office (ICO) on 19 May 2023 and has been advised that Capita has made appropriate notifications to all relevant regulators and authorities, including the ICO, and remains in regular contact with them.

The Trustee has complied with the requirements and recommendations of the Pensions Regulator in relation to the cyber incident and has written to impacted members on 26 June 2023 and 7 July 2023 to advise them of the data breach and warn them to be vigilant to any scams that may arise from the exfiltrated data potentially being publicly available. Capita has offered to provide an Experian credit monitoring service free of charge for one year to members whose data was exfiltrated in the cyber incident.

As the cyber-attack took place in March 2023, the incident has not resulted in any financial impact on the Scheme or on members' benefits as at 30 September 2022. As such there is no impact on the financial results of the Scheme for the year ended 30 September 2022 as a result of the cyber incident.

However, the Trustee is aware that there is a possibility that some of the exfiltrated data could be used at a future date to create fraudulent transactions resulting in loss to members and claims on the Scheme, although there are identity and verification controls in place at Capita. Whilst it is hoped that this possibility is remote, the Trustee continues to work closely with its legal and other advisers, and with Capita, to mitigate any further risk resulting from the cyber incident and to ensure that the Scheme members affected are protected as far as possible. As the investigation is ongoing, it is not considered that a reliable estimate can be made of the potential eventual impact of the incident.

Capita has taken extensive steps to recover and secure the data contained within the impacted servers, and also has no evidence that information resulting from this incident is available for sale on the dark web or otherwise. That is because Capita has appointed a third-party specialist adviser who continues to monitor the dark web to confirm that data compromised as a result of this incident in not being circulated or available for sale online. They have been appointed since the earliest days of this incident.

Annual Implementation Statement – Scheme year ending 30 September 2022

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Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme") covering the Scheme year ("the year") 30 September 2022.

The purpose of this statement is to:

- Provide details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (as set out in the Statement of Investment Principles (the "SIP")) have been adhered to during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustees or on its behalf) during the year and state any use of services of a proxy voter during that year.
- Provide details and examples of the engagement activities undertaken on behalf of the Trustee during the year

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here

This statement reflects the Scheme year from 1 October 2021 to 30 September 2022. The SIP linked above reflects the latest version of the SIP which is dated December 2021.

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code 2020 as best practice and encourages its investment managers to comply with the UK Stewardship Code 2020 or explain where they do not adhere to this policy.

- When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisors, looks to take account of the approach taken by managers with respect to sustainable investing. This includes considering voting policies and engagement on relevant matters (i.e. the capital structure of investee companies, actual and potential conflicts of interest and other stakeholders), as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, taking into consideration costs, risks and fiduciary duties, the contract with the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee also invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

- The Trustee appoints its investment managers with an expectation of a long-term relationship and engagement, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers, it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment managers because the Trustee believes that those managers are best placed to manage this engagement. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

Over the year, the Trustee has undertaken a number of actions in line with these policies as set out below:

Annual Implementation Statement – Scheme year ending 30 September 2022 (continued)

- Throughout the year, the Trustee met with a number of the Scheme's investment managers as part of their ongoing monitoring of the Scheme's underlying investments. Managers' approach to sustainable investing was covered during these discussions, with a focus on managers' views of ESG risks and what actions they take to manage these. During the year to 30 September 2022 there was a particular focus on climate-related risks within these discussions.

- The Trustee's investment advisor produces sustainable investment reports for the Scheme's managers which include information on how the investment managers consider environmental, social and governance factors in their investment process. The reports also include information on the voting and engagement practices of the managers. At each of these meetings, the Trustee reviewed the managers' sustainable investment report ahead of the manager presentation and subsequently discussed relevant topics with managers.

- In November 2021, the Trustee undertook a full review of the sustainable investment reports produced by the Trustee's investment advisor for all the Scheme's pooled investment funds.

- The Trustee reviewed the fees of its investment managers in July 2022 and of Northern Trust, the Scheme's Custodian and Performance Measurer, in October 2021 to ensure they were in line with industry standards.The Trustee reviewed the portfolio turnover levels of the Scheme's underlying investment funds in November 2021 as part of the agreed annual process.

- The Scheme's SIP was sent to all of the Scheme's investment managers. The Trustee highlighted its policies with respect to Sustainable Investing and Voting and Engagement, and asked the investment managers to set out their approach to sustainable investment, including voting and engagement, and to highlight any areas where they believed their fund's approach to be inconsistent with the Trustee's policies.

  All of the Scheme's managers provided a response. The Trustee reviewed the managers' responses at a meeting in May 2022. Following the review, the Trustee concluded that they were satisfied that there were no obvious misalignments between managers' policies and the Trustee's policies.

- Through the year the Scheme has been working on the creation of a Sustainable Invesment Policy, which provides more detail on the Trustee's approach to Sustainabile Investing. The intention is for the Policy to be made public once completed.

- Over the year, the Trustee has undertaken a number of actions as part of its consideration of the potential impact of climate change on the Scheme:

  - The Trustee has received regular updates on the estimates of the Scheme's exposures based on a range of carbon metrics, including total carbon emissions and carbon footprint.

  - The Trustee has progressed with the adoption of a carbon emissions reduction target, opening conversations with the Company on the proposed target.

  - The Trustee has requested information on the potential impact of climate change from the Scheme's investment managers when meeting them through the year. In particular, in April the Scheme met with Abrdn – one of the two buy and maintain credit managers – for a focus on climate-related risks. The climate risks within the buy and maintain mandates are understood to be the most material to the Scheme, due to the size of the mandates.

In addition to the actions above the Trustee's investment advisor provides ratings for each of the Scheme's investment managers. These ratings are reviewed (and updated where necessary) on a quarterly basis and include considerations relating to sustainable investment. Any changes in these ratings or the investment advisor's opinion of a fund is communicated to the Trustee.

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Section 3: Voting and Engagement

The Scheme is invested in a diverse range of asset classes and the scope for voting and engagement activity varies by asset class. For voting, this document focuses on the equity investments which have voting rights attached whilst for engagement the focus is on the buy and maintain credit mandates, which represent the majority of the Scheme's holdings in corporate securities.

Engagement Activity

The Trustee's primary focus, from an ESG perspective, is on encouraging its investment managers and advisors to engage with the companies it invests in to better manage risks and improve outcomes. Engagement activities are monitored through the year in a number of different ways, including the annual review of managers' approach to sustainable investment, ratings and updates from the Scheme's investment consultant on the managers' engagement capabilities and as a part of regular manager meetings.

The Scheme's buy and maintain corporate bond mandates with LGIM and Abrdn are key mandates for the Scheme from an engagement perspective. They are mandates that are very material to the strategy, with a 27% strategic asset allocation to the asset class and a key role to play in the investment strategy due to their cashflow generation and long-term focus. They also represent the majority of the Scheme's holdings in corporate securities. Over the year the Trustee met with both LGIM and abrdn to discuss the buy and maintain credit and ESG was one of the main topics considered. Within these discussions the Trustee looks for detail on both the process for engagement that each manager follows (including systems and resourcing) as well as examples of the engagement in practice. Specific examples discussed include:

- LGIM's engagement with BP on climate change – whereby LGIM have co-led engagement with BP on its climate strategy since 2019 (with the Climate Action 100+ investor coalition) and this engagement has led to BP announcing a climate target of net zero by 2050.
- LGIM's engagement with Microsoft on corporate behaviour and governance – whereby LGIM have been vocally opposing the Company's approach to managing and assigning key corporate roles.
- Abrdn's engagement with Holcim – whereby Abrdn have been focusing on the detail of the ambitious climate related targets that the Company has adopted.

At a higher level, the Trustee is intending to monitor the level of climate-related engagements undertaken by its investment managers across the portfolio.

The Trustee also reviews its investment advisor's approach to sustainable investment and reviewed a number of reports detailing the investment advisor's credentials in this area in September 2022.

Voting activity

The Scheme's equity holdings as at the end of the year were held in pooled investment funds and were managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment manager.

The Scheme's equity holdings are invested with the investment manager BlackRock in the following pooled investment funds:

- **BlackRock Aquila Life UK Equity Fund**: pooled fund that invests in listed UK equities and tracks a market capitalisation-based index.
- **BlackRock Aquila Life World ex UK Equity Fund**: pooled fund that invests in listed World ex UK equities and tracks a market capitalisation based index.

- **BlackRock iShares Emerging Market Equity Fund**: pooled investment fund which invests in Emerging Market listed equities and tracks a market capitalisation based index.

The Trustee has, since 30 September 2022, disinvested from the BlackRock equity funds noted above and no longer has any investments in equity funds.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment manager's use of proxy voting.

BlackRock has a voting policy that determines its approach to voting and the principles followed when voting on investors' behalf. BlackRock also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	**Use of proxy advisor services:**
BlackRock	BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis which contribute to, but do not determine, BlackRock's voting decisions which are made by the BlackRock internal stewardship team. BlackRock primarily uses proxy research firms to summarise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship team can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. They do not follow any single proxy research firm's recommendations.

As outlined in the SIP, the Trustee recognises the FRC UK Stewardship Code 2020 and monitors the Scheme's investment managers adherence to the Code. BlackRock is a signatory to the Code. Their latest statement of compliance can be found here.

BlackRock reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2022, including the rationale for the voting decision and the outcome of the vote. A number of these key votes taken on behalf of the Trustee is set out below. The votes shown were chosen taking account of the size of the allocations to the companies affected as a percentage of each pooled fund, whether the votes were against management resolutions and whether the votes were in respect of shareholder resolutions. The votes below were also selected based on those that align most closely to the Trustee's views and goals for the portfolio, most notably votes on climate change and the formulation of a climate action plan.

Manager – BlackRock UK Equity

Voting activity*	Number of votes eligible to cast:	14,951

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	Percentage of eligible votes cast:	95%
	Percentage of votes with management:	95%
	Percentage of votes against management:	5%
	Percentage of votes abstained from:	1%
Most significant votes cast	**Company**	Shell Plc
	Size of holdings	7.7% of Fund
	Company summary	Shell Plc (Shell) is a major integrated oil and gas company that operates through Integrated Gas, Upstream, Downstream and Corporate segments. The company was formerly based in the Netherlands and has recently moved their headquarters to the United Kingdom.
	Resolution	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions (shareholder proposal)
	Vote Cast	Against
	Rationale for voting decision	BlackRock did not support this shareholder proposal because they believe that it is not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short-and medium-term scope 3 emissions reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.
	Outcome of vote	Resolution did not receive enough votes
	Company	Rio Tinto Group
	Size of holdings	2.5% of fund
	Company summary	The Rio Tinto Group engages in the exploration, mining, and processing of minerals globally. The group operates in 35 countries under a dual listed company structure, with the businesses of Rio Tinto plc and Rio Tinto Limited sharing a board and management structure.
	Resolution	Item 4 – 13 : Re-election of board members Item 17: Approve Climate Action Plan
	Vote Cast	For (all items)

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	Rationale for voting decision	BlackRock supported all directors up for re-election. After closely analysing each candidate's profile and engaging with the group – and in consideration of the changes made both at the board and management level following the Juukan Gorge controversy – BlackRock determined it is in the best interests of our clients as long term shareholders to support board continuity. BlackRock voted for the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan, which is described in the report "Our Approach to Climate Change 2021.". The group's climate action plan, targets,and disclosures are consistent with what BlackRock look for and, in its assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of our clients as long-term shareholders to support the proposal to approve the Climate Action Plan
	Outcome of vote	Resolution was passed

Annual Implementation Statement – Scheme year ending 30 September 2022 (continued)

Manager – BlackRock World ex-UK Equity

Voting activity*	Number of votes eligible to cast:	27,684
	Percentage of eligible votes cast:	91%
	Percentage of votes with management:	92%
	Percentage of votes against management:	7%
	Percentage of votes abstained from:	0% (134 votes cast)
Most significant votes cast	**Company**	Alphabet Inc
	Size of holdings	2.5% of fund
	Company Summary	Alphabet, Inc. (Alphabet) is a communications services company which operates primarily through Google but also some smaller operating segments such as Access and Calico.
	Resolution	Item 8: Report on Metrics and Efforts to Reduce Water Related Risk (Shareholder proposal) Item 9: Oversee and Report a Third-Party Racial Equity Audit (Shareholder proposal) Item 11: Approve Recapitalization Plan for all Stock to Have One-vote per Share (Shareholder proposal) Item 16: Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms (Shareholder proposal)
	Vote Cast	For
	Rationale for voting decision	Blackrock supported item 8 because, in its assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact. Blackrock supported item 9 because, in its view, shareholders would benefit from a third party assessment of Alphabet's diversity, equity and inclusion (DEI) practices. BlackRock's view is that one vote per share is in the best economic interests of long-term shareholders, therefore they supported the shareholder proposal (item 11) to disband the company's multi-class stock structure. BlackRock's view is that shareholders would be better served by the company undergoing an independent assessment of their

Annual Implementation Statement – Scheme year ending 30 September 2022 (continued)

		approach to information management rather than one conducted by a third-party with which Alphabet is affiliated, therefore they voted in support of the shareholder proposal (item 16).
	Outcome of vote	Resolutions did not receive enough votes
	Company	Amazon.com, Inc
	Size of holdings	2.3% of fund
	Company Summary	Amazon is a technology company focusing on the provision of online retail shopping services.
	Resolution	Item 1g: Elect Judith A. McGrath Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation Item 8: Report on Efforts to Reduce Plastic Use (Shareholder proposal) Item 9: Report on Worker Health and Safety Disparities (Shareholder proposal) Item 14: Report on Lobbying Payments and Policy (Shareholder proposal) Item 16: Commission a Third-Party Audit on Working Conditions (Shareholder proposal)
	Vote Cast	Against Item 1g, 9 and 16, and for items 3, 8 and 14
	Rationale for voting decision	Blackrock did not support the re-election of the Chair of the Leadership Development and Compensation Committee (item 1g), because of its concerns about the Board's response to various human capital management risks,which they believe may create adverse impacts that could expose the company to legal, regulatory, and operational risks and jeopardise their long-term success. Blackrock supported management's Say on Pay proposal (item 3) as they did not have concerns about Amazon's executive compensation philosophy, particularly in light of the first CEO succession in the company's history. Blackrock supported item 8 as they believe that shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services. Blackrock did not support item 9 as they believe that the company has already agreed to a racial equity audit. Blackrock believe this third-party audit will address the proponent's request. Although Blackrock view Amazon's political activities disclosure as robust, they supported item 14 because they believe Amazon could make the current disclosure more accessible, which would better enable stakeholders to assess the information provided.

		Blackrock did not support this item 16 because they believe that the company's existing disclosure and policies already meet the proponent's request.
	Outcome of vote	Items 1g and 3 received enough votes, with items 8,9,14 and 16 failing to pass

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Manager – BlackRock Emerging Markets Equity

Voting activity*	Number of votes eligible to cast:	24,669
	Percentage of eligible votes cast:	98%
	Percentage of votes with management:	88%
	Percentage of votes against management:	11%
	Percentage of votes abstained from:	3%
Most significant votes cast	**Company**	China Tower Corporation Limited
	Size of holdings	0.1% of fund
	Company summary	China Tower Corporation Limited (China Tower) is a state-owned telecommunications company and the world's largest telecommunications tower infrastructure service provider. China Tower was established in 2014 and listed in Hong Kong in 2018. As of June 2021, China Tower operated and managed a total of 2.035 million tower sites.
	Resolution	Item 3: Re-elect Gao Tongqing as a non-executive director Item 7: Re-elect Deng Shiji as an independent non-executive director and authorize the board to determine his remuneration
	Vote Cast	Against
	Rationale for voting decision	BlackRock voted against the re-election of the two incumbent directors on China Tower's Nomination Committee, whom they believe should be held accountable for the lack of gender diversity among proposed candidates.
	Outcome of vote	Resolution was passed
	Company	Samsung Electronics Co., Ltd.
	Size of holdings	3.1% of fund
	Company summary	Samsung Electronics Co., Ltd. (Samsung) is South Korea's largest company in market capitalization and one of the world's largest manufacturer of electronics and computer peripherals. Headquartered in Suwon, South

Annual Implementation Statement – Scheme year ending 30 September 2022 (continued)

		Korea, Samsung delivers products and services through three main business divisions: consumer electronics, information technology and mobile communications, and device solutions.
	Resolution	Election of Directors
	Vote Cast	For
	Rationale for voting decision	BlackRock voted for the proposed director elections based on the company's indication that it is in its final review stage of a revised climate strategy, and on their expectation that it will be announced in the months to come.
	Outcome of vote	Resolution was passed

** Voting statistics are out of total eligible votes and are sourced from the investment managers BlackRock. Figures may not sum to 100% due to a variety of reasons, such of lack of management recommendation, scenarios where the agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote for 'Abstain' is also considered a vote against management.*

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that BlackRock is acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment manager's stewardship practices on an ongoing basis.

Appendix 1: BlackRock's voting policy

Overview of voting process for deciding how to vote

BlackRock's approach to corporate governance and stewardship is explained in their Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for their, market-specific voting guidelines, which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how they monitor and engage with companies), their voting policy, their approach to stewardship matters and how BlackRock deal with conflicts of interest.

These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's Global Corporate Governance & Engagement Principles available on their website: https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

BlackRock proxy voting decision process

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. While they subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into the voting analysis process, and BlackRock do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to summarise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritize those companies where their own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), their engagement and voting history with the company, and the views of their active investors, public information and ESG research.

In summary, proxy research firms help deploy BlackRock's resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its commitment to the interests of their clients and helping those clients achieve their long-term financial goals, using BlackRock's voice as a shareholder on their behalf to ensure that companies are well led and well managed
- BlackRock use proxy research firms in our voting process, primarily to synthesize information and analysis into a concise, easily reviewable format so that their analysts can readily identify and prioritize those companies where their own additional research and engagement would be beneficial
- BlackRock do not follow any single proxy research firm's voting recommendations and in most markets, they subscribe to two research providers and use several other inputs, including a company's own disclosures, in their voting and engagement analysis
- BlackRock also work with proxy research firms, which apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision

- The proxy voting operating environment is complex and BlackRock work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Read more in BlarkRock's Global Principles and market-specific voting guidelines found here https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines

BlackRock's third-party platform for vote execution

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform their voting decision.