De La Rue Pension Scheme

Annual Report & Financial Statements
5 April 2022
Scheme Registration number 10226686

Contents

Section 1 – Trustee and its Advisers

The Trustee

The Trustee of the De La Rue Pension Scheme is De La Rue Pension Trustee Limited. The Trustee Directors of the De La Rue Pension Trustee Limited are set out below:

Company appointed Directors

N McGregor
PAN Trustees UK LLP (independent chair)
(represented by M Roberts)
20-20 Trustee Services Limited
(represented by J Yates)
Ross Trustee Services Limited
(represented by G Mckenzie)
K Ryan

Member nominated Directors

P Outridge (resigned 31 March 2022)
K Brown
M Salmon
J R A Robinson (appointed 6 April 2022)

Advisers

The advisers to the Trustee is set out below:

Scheme Actuary	Laura McLaren, FIA Hymans Robertson LLP
Scheme Administrator	Hymans Robertson LLP
Independent Auditors	PricewaterhouseCoopers LLP
AVC Providers	Phoenix Life Aegon Dunfermline Building Society Aviva Plc The Prudential Assurance Company Limited Utmost Life and Pensions Limited
Investment Managers	**Defined Benefit Section** Alcentra Limited (terminated 31 December 2021) Baillie Gifford Life Limited (terminated 17 August 2021) Insight Investment Management (Global) Limited ("Insight") Legal & General Assurance (Pensions Management) Limited ("LGIM") Partners Group ("Partners") **Defined Contribution Section** Aviva Plc ("Aviva") (transferred to DB section in April 2022) BlackRock Advisors (UK) Limited ("BlackRock") (transferred to DB section in April 2022)

Advisers (continued)

Investment Consultant	Hymans Robertson LLP
Secretary to the Trustee	G S Howard (appointed 1 July 2022) Group Pensions Manager - De La Rue plc R Lacey (resigned 30 June 2022)
Legal Adviser	CMS
Custodian	Bank of New York Mellon HSBC Bank Plc Scottish Equitable Plc RBC Investor Services Bank S. A State Street Custodial Services (Ireland) Limited
Banker	Barclays Bank plc
Covenant Adviser	Cardano
Sponsoring Employer	De La Rue plc De La Rue House Jays Close Basingstoke RG22 4BS
Participating Employers	De La Rue International Limited De La Rue Holdings Limited
Contact Address	De La Rue Pension Scheme Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB Email: delaruepension@hymans.co.uk

Section 2 – Trustee's Report

The Trustee of the De La Rue Pension Scheme (the "Scheme") is pleased to present its Annual Report together with the audited financial statements and actuarial certificate of the Scheme for the year ended 5 April 2022. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Legal Status

The Scheme was established by a Trust Deed dated 3 March 1997.

The Scheme is a hybrid scheme incorporating two sections:

- a defined benefit section which provides benefits based on a member's salary and length of service; and
- a defined contribution section which provides benefits based on a member's accumulated fund.

Members of both sections are able to make Additional Voluntary Contributions ("AVCs") to secure additional benefits.

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

Members of the defined benefit section were contracted-out of the State Second Pension (S2P) under a certificate issued by the HM Revenue & Customs National Insurance Contributions Office.

All sections of the Scheme closed to future accrual on 31 March 2013 with the exception of the Classic section which closed to future accrual on 29 March 2020. The defined contribution section (excluding AVCs) was transferred to the LifeSight Master Trust with effect from 6 December 2021. The Defined Contribution section of the Scheme (excluding AVCs) is currently being wound up.

Trustee

The Trustee has delegated the day to day management and operation of the Scheme's affairs to professional organisations as set out on pages 1 and 2. The Trustee has written agreements in place with each of them.

De La Rue plc is responsible for the appointment and removal of the Trustee and Trustee Directors, except for the member nominated Trustee Directors who can only be removed with the consent of the full Trustee body, or if they cease to be eligible for the role. A Trustee Director may retire from office at any time.

There are eight Trustee Directors of whom five are appointed by De La Rue plc. Under the arrangements adopted by the Trustee, the Member-nominated Trustee Directors must be in receipt of a pension from the De La Rue Pension Scheme or be employed by De La Rue and a deferred member of the De La Rue Pension Scheme. They must be nominated by members of either status. Selection is made by a panel of three serving directors, one of whom will be the independent Chairman.

The Trustee met informally across the year to discuss and finalise the actuarial valuation, formal Trustee meetings were held four times during the year (2021: four).

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme decreased from £1,067,488,000 at 5 April 2021 to £1,015,014,000 at 5 April 2022. The decrease in net assets is accounted for by:

	DBS* 2022 £000	DCS** 2022 £000	Total 2022 £000	DBS* 2021 £000	DCS** 2021 £000	Total 2021 £000
Member related income	16,288	-	16,288	16,350	-	16,350
Member related payments	(49,819)	(12,052)	(61,871)	(56,670)	(101)	(56,771)
Net withdrawals from dealings with members	**(33,531)**	**(12,052)**	**(45,583)**	**(40,320)**	**(101)**	**(40,421)**
Net returns on investments	(8,222)	1,331	(6,891)	40,067	3,523	43,590
Net (decrease)/increase in fund	**(41,753)**	**(10,721)**	**(52,474)**	**(253)**	**3,422**	**3,169**
Transfer between sections	5,442	(5,442)	-	1,247	(1,247)	-
Net assets at start of year	1,051,325	16,163	1,067,488	1,050,331	13,988	1,064,319
Net assets at end of year	**1,015,014**	**-**	**1,015,014**	**1,051,325**	**16,163**	**1,067,488**

*Defined Benefit Section **Defined Contribution Section

Pension Increases

Guaranteed Minimum Pensions (GMPs) in payment which accrued after 5 April 1988 were increased by 3% at April 2022 (0.5% at April 2021) in line with legislative requirements. Pensions in payment (in excess of the GMPs in payment) were increased with reference to inflation and the Rules of the Scheme. Increases awarded at April 2022 were between 3% and 5% (0.5% and 5% at April 2021) depending on the category of membership. The average increase was 2.5% (2.5% at April 2021). Pensions in respect of former Bank of England members are increased each 1 July; the increase made in July 2021 was 3.3% (1% at July 2020). Deferred pensions were increased in line with statutory requirements and the Rules of the Scheme.

None of the above increases were discretionary.

Trustee's Report (continued)

World events

At the time of approval of the financial statements, the impact of COVID-19 has lessened given the success of the vaccination program worldwide. Both short term and long term effects are unknown but, as for many schemes at this time, the Trustee continues to be vigilant of the potential for a significant and enduring impact on the Scheme.

In addition to which, post year-end, conflict between Ukraine and Russia is impacting global markets, following assessment of the Scheme's investment portfolio, no direct exposure to the conflict has been identified up to and including the date of signing.

The Trustee will continue to monitor the situation and the impact on the Scheme. The Trustee has concluded that there is no impact of COVID-19 or the Ukraine/Russia conflict on the going concern of the Scheme.

Transfers

The Trustee does not currently permit the transfer of the value of benefits arising from membership of previous pension plans into the Scheme. Members who have left service can normally transfer the value of their benefits under the Scheme to another scheme which they join, or to an insurance contract or personal pension.

Defined Benefit Section:
The Trustee is responsible for setting the economic, financial and demographic assumptions to be used in calculating transfer values, having taken the advice of the Actuary. The basis used for transfer value calculations does not include discretionary benefits.

Defined Contribution Section:
Transfer values are paid equal to the market value of the member's investments at the date of transfer. No discretionary payments have been made during the year.

In addition, the Scheme's Defined Contribution section (excluding AVCs) was transferred to a master trust arrangement with LifeSight, with the transfer of assets taking place in December 2021. The Defined Contribution section of the Scheme (excluding AVCs) is currently being wound up.

Trustee's Report (continued)

Report on Actuarial Liabilities

Actuarial Valuation

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Sponsoring 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 5 April 2021. This showed that on that date:

The value of the Technical Provisions was: £1,171 million

The value of the assets was: £1,051 million

The method and significant actuarial assumptions used to determine the technical provisions can be found below (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated March 2022).

The 31 December 2022 formal valuation was brought forward to 5 April 2021 at the request of the Company. This was to enable the Company to move ahead with the next stage of the turnaround plan, and also to capture improvements in the Scheme's funding position since the last valuation. These funding improvements meant that there was no need for contributions to step up at the end of next year to reach the funding target by March 2029. A revised schedule of contributions has therefore been agreed, alongside improved guarantees from De La Rue that help support the new funding agreement.

Method

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

Significant Actuarial Assumptions

Discount rate before and after retirement	Dependent on term and assumed to be 0.9% p.a. above the yield on fixed interest government bond curve until 31/3/2028 and 0.25% above the yield on fixed interest government bond curve thereafter
Price inflation (RPI)	Market implied inflation gilt yield curve.
Price inflation (CPI)	Market implied inflation gilt yield curve less an adjustment of 1.00% p.a. until 2030 and market implied inflation gilt yield curve less an adjustment of 0.00% p.a. post 2030 (broadly market implied inflation gilt yield curve less 0.55% p.a.
Pension increases	Assumed to be in line with price inflation adjusted to take account of any maximum or minimum increase that may apply. Our LPI curves are derived from an option pricing model fitted to LPI swap prices.

Trustee's Report (continued)
Significant Actuarial Assumptions (continued)

Expenses	Scheme expenses will be allowed for on an ongoing basis.
Mortality - base tables	Member specific longevity Club VITA tables.
Mortality - Future longevity improvements	CMI 2020 model (calibrated to VITA tables) with a smoothing parameter of Sk = 7.0, an initial adjustment parameter of A = 0.25, 5% weighting to 2020 data and a long-term rate of improvement of 1.5% p.a. which tapers to 0% p.a. over ages 85 to 110.

Deficit contributions
Following the 5 April 2021 formal valuation, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 2 March 2022. Deficit contributions of £15m (2021: £15m) were received during the year.

Under the revised schedule, the Company is required to pay annual deficit contributions of £15m by 5 April each year until 5 April 2029.

A separate formal valuation is prepared for the Classic Section of the Scheme, with the most recent valuation for this section taking place as at 31 December 2019. The current Schedule of Contributions for the Classic Section was signed on 7 April 2021. During the year recovery plan contributions of £34,508 (2021: £34,507) were received.

Under the current schedule, the Company is required to pay future annual deficit contributions in respect of the Classic Section as follows:

By March 2023: £34,507

The one remaining active member of the Classic Section transferred out of the Scheme on 30 March 2020 following the sale of the Company's passport business. Under a Fair Deal arrangement, the member was given the option to transfer past service pension benefits to their new scheme, the Principal Civil Service Pension Scheme. The member opted to transfer their pension benefits, and a bulk transfer amount of £218,480 was subsequently agreed with the Government Actuary's Department (GAD) and paid to the receiving scheme on 11 February 2022. With the bulk transfer of the last remaining active member now complete, the Trustee is considering legal advice in relation to the future operation of the Classic Section.

Employers other Contributions

Monthly contributions of £125,000 will be paid to provide for the administrative expenses including Pension Protection Levy which are included in other contributions. The Sponsoring Employer will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 5 April 2022 is shown below:

Pensioner Members (including spouses and dependants)	DBS*	DCS**	Total
As at 5 April 2021	**4,113**	**-**	**4,113**
Prior period adjustments***	4	-	4
Retirements	86	-	86
Deaths	(157)	-	(157)
Child pension ceased	(1)	-	(1)
Trivial commutation	(1)	-	(1)
New spouses and dependants	39	-	39
Pensioner Members as at 5 April 2022	**4,083**	**-**	**4,083**

Included in the pensioners above are 692 (2021: 688) widows or dependants receiving pension following death of a member.

Deferred Pensioner Members	DBS*	DCS**	Total
As at 5 April 2021	**2,539**	**121**	**2,660**
Prior period adjustments	(6)	(3)	(9)
Trivial commutations	(6)	(2)	(8)
Deaths	(8)	-	(8)
Retirements	(86)	-	(86)
Transfers out	(31)	(87)	(118)
Transfers between sections	29	(29)	-
Deferred Pensioner Members as at 5 April 2022	**2,431**	**-**	**2,431**

Summary	DBS*	DCS**	Total
As at 6 April 2021	**6,652**	**121**	**6,773**
Net movements (detailed above)	(138)	(121)	(259)
Members as at 5 April 2022	**6,514**	**-**	**6,514**

*Defined Benefit Scheme **Defined Contribution Scheme

Contained in the above membership stats are 315 (2021: 271) DBS deferred members who also have defined contribution pots. In addition to this there were 29 members who hold AVC benefits only and have been transferred to the DBS deferred members as part of the closure of the DCS section.

***The prior period adjustments relate to late notifications.

Trustee's Report (continued)

Investments

This report has been prepared using data sourced from Hymans Robertson LLP, the investment managers and other external sources. The current investment managers are shown on page 1.

General

The Scheme's investment strategy is agreed by the Trustee Directors after taking appropriate advice. The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by the investment objectives. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to the professional investment managers.

Over the year under review, the main assets of the Scheme's Defined Benefit Section were managed by Insight Investment ("Insight"), Legal & General Investment Management ("LGIM"), and Partners Group ("Partners").

LGIM manages the overseas and UK equity assets on behalf of the Scheme, on a passive basis. Within the Scheme's exposure to overseas assets, 65.0% is hedged back to Sterling (excluding the exposure to emerging markets). Currency hedging is achieved via investments in pooled currency hedged funds.

Insight was appointed in 2006 to manage an active bond portfolio. At the moment, Insight's portfolio is formed of four sub-portfolios: "Buy and Maintain", "LDI" (Liability Driven Investment), "Cash Plus" and "Secured Finance".

The "Buy and Maintain" portfolio is made up of carefully selected corporate bonds which are expected to be held to maturity for their additional return over government bonds.

The LDI mandate is principally aimed at reducing the Scheme's exposure to adverse movements in yields and inflation. The Scheme's LDI portfolio was changed from a pooled to segregated arrangement in Q4 2020 following a review. The segregated LDI mandate, valued at £265.9 million on 5 April 2022, has been reflected in the financial statements using the value of all its underlying holdings including bonds, derivatives and repurchase agreements. Further, the value of the bonds holding includes those bonds that have been lent as part of repurchase agreements.

The Cash Plus sub-portfolio currently holds the Liquidity Plus Fund, which is a cash fund, and the Liquid ABS Fund and Global ABS Fund.

Insight Liquidity Plus Fund aims to provide stability of capital and income to investors, by investing primarily in short-term fixed income and variable rate securities. The fund benchmark is SONIA.

The Liquid and Global ABS funds seek to generate return for investors mainly through a portfolio of high quality (investment grade) Asset Backed Securities ("ABS") and corporate floating notes ("FRNs") and are benchmarked against 1-month SONIA.

Trustee's Report (continued)

General (continued)

The Cash Plus sub-portfolio is the collateral/liquidity waterfall for the Scheme, meaning that if the Scheme requires additional liquidity (over and above the income generated by the current assets) to meet benefit payments or for collateral purposes, it can be accessed in the following manner:

- First from the most liquid (cash) funds - the Liquidity Plus, which holds enough capital to meet any recapitalisation event of the LDI portfolio and at least 12 months of Scheme benefit payments.
- Additional cash, if required, can be raised via the sale of the next most liquid holdings – Liquid ABS and Global ABS respectively.

The Secured Finance sub-portfolio was created in December 2019 and comprises of the Secured Finance Direct Lending Fund 3. This fund seeks to produce an annual interest-rate-based return, primarily through investment in a diversified portfolio of secured finance asset classes and instruments comprising loans and debt securities. Such secured finance asset classes may include commercial real estate finance, residential real estate finance, and other forms of asset-backed lending, e.g. debt backed by asset pools such as auto loans, credit card loans, leases, residential and commercial mortgage loans. The Fund may also have exposure to mid-market corporates, small and medium-sized enterprise financing, supply-chain and trade finance and trade receivables, and non-performing loan financing. The Fund's focus is on both liquid and illiquid strategies. The objective of the fund is to outperform a cash benchmark by 3-5% p.a. over rolling three-year period (net of fees).

Partners Group was appointed in 2016 to manage a multi-asset credit mandate ("MAC III"). An additional allocation to another multi-asset credit fund ("MAC V") was agreed on in July 2020 in order to maintain exposure to the asset class as the MAC III fund gradually returns its invested capital. The MAC III fund is currently in its distribution phase, meaning that the investments are being realised and the fund is returning the capital and paying interest to the Scheme. The MAC V fund is in its investment phase, meaning that it is currently making private debt investments. These funds seek to create a diversified portfolio of mainly senior private loans and public high-yield bonds, in the primary markets as well as the secondary loan market. Investments are diversified across asset classes, instruments, sectors and geographies. The objective of the Partners funds is to outperform cash by 4% - 6% p.a. (net of fees). These funds were introduced to reduce the level of risk within the Scheme's assets and to provide income.

During the year the Scheme terminated its mandates with Baillie Gifford and Company ("Baillie Gifford") and Alcentra Limited ("Alcentra") with the proceeds being reinvested in the Insight Liquid ABS Fund and the Insight LDI portfolio.

In addition, the Scheme's Defined Contribution section (excluding AVCs) was transferred to a master trust arrangement with LifeSight, with the transfer of assets taking place in December 2021. The Defined Contribution section of the Scheme (excluding AVCs) is currently being wound up. Defined Contribution AVC assets belonging to Defined Benefit section members were not transferred to the Master Trust but retained in the Scheme in the Defined Benefit section.

Trustee's Report (continued)

Investment Strategy

The Trustee currently sets the Scheme's investment strategy, taking into consideration the strength of the Employer covenant and the professional advice provided by Hymans Robertson LLP, to achieve the following objectives (listed in order of priority):

- Ensure that there are sufficient assets available to pay members' benefits as they fall due;
- Achieve full funding on a low-risk basis over the longer period;
- Minimise investment risk (defined as funding level volatility) commensurate with the funding aims.

To achieve these objectives, it is necessary to take investment risk. The key principles which have been agreed and which guide the level and type of risk taken are:

- Risk should only be taken where commensurate reward is expected;
- Risk should only be taken where the expected reward is required to give a reasonable chance of meeting the Scheme's objectives; and
- Risk should be diversified so that the Scheme is not overly exposed to any one risk or source of return (whether an asset class or manager).

Based on the objectives set out above, these broad principles are, in consultation with the Scheme sponsor, translated into an investment strategy which aims to achieve the Scheme's funding objectives. In doing so, the Trustee considers a reasonable balance between having as high a chance as possible of achieving the target while minimising the level of investment risk which needs to be taken.

Current Defined Benefit (DB) investment strategy

The current strategy is to hold:

- 5% in return-seeking investments, comprising UK and overseas equities and other financial instruments including derivatives and cash;
- 62% in a diversified portfolio of income-generating investments, comprising mainly investment grade and sub-investment grade corporate bonds and debt instruments; and
- 33% in investments that move broadly in line with the Scheme's long-term liabilities. This is referred to as Liability-Driven Investment (LDI) and comprises UK government bonds, gilt repurchase arrangements, and swaps. These holdings hedge approximately 84% of the impact of interest rate and 80% of the impact of inflation movements on the long-term liabilities.

Trustee's Report (continued)

Investment Strategy (continued)

The allocation of the Scheme's investments held under the Defined Benefit section to 5 April 2022 is shown in the table below:

	Total £'000	Actual %	Target %
LGIM Global Equities	45,683	4.6	4.0
LGIM UK Equities	11,255	1.1	1.0
Total Growth	**56,938**	**5.7**	**5.0**
Insight Buy and Maintain	156,648	15.6	16.0
Insight LDI*	232,044	23.1	28.0
Insight Liquidity Plus Fund	85,360	8.5	5.0
Insight Secured Finance Lending	144,004	14.3	13.0
Insight Liquid/Global ABS	261,808	26.1	26.0
Partners Group Multi-Asset Credit**	62,848	6.3	7.0
AEGON and AVC's	4,661	0.5	-
Total Non-growth	**941,713**	**94.3**	**95.0**
Total	**998,652**	**100.0*** **	**100.0**

*Value of the LDI portfolio includes the Liquidity Fund which is a cash-only component of the LDI.

** Partners Group Multi-Asset Credit valuation is as at 31 March 2022. These are closed-end funds valued at NAV once a month at the end of the month, and intra-month valuations are not calculated.

*** Might not sum to total due to rounding

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1, 3 and 5-year performance to 31 March 2022 are used as the most recent to 5 April 2022. As of 31 March 2022, the Scheme was overweight to growth assets relative to target, and underweight therefore in matching assets. As the implementation of the agreed investment strategy continues, additional changes to target asset allocation may be made during the 2022/2023 Scheme year.

The Trustee also monitors the Scheme's investments versus liabilities at regular funding updates and valuations.

Over the year to 5 April 2022, the Scheme's investments decreased by approximately c£44.7m (from £1,043.4m at 5 April 2021 to £998.7m at 5 April 2022). The Scheme's investments returned (1.7)% over the year, underperforming the aggregate Scheme benchmark by 0.2%.

Trustee’s Report (continued)

Investment Strategy (continued)

LGIM manages approximately 5% of the Scheme’s investments under index-tracking global and UK equity mandates. Over the year, the LGIM mandates performed broadly in line with benchmark as expected of fund that track the corresponding investment index.

The Insight LDI and Buy and Maintain sub-portfolios delivered positive returns of 15.2% p.a. and 4.3% p.a. respectively since inception. The purpose of the LDI sub-portfolio is to provide protection against adverse movements in the Scheme’s liabilities, as opposed to increasing the Scheme’s returns. Therefore, in periods when interest rates fall and the value of the liabilities increases, the LDI portfolio would be expected to produce a positive return. On the other hand, if yields rise and the value of the liabilities falls, the LDI portfolio would be expected to generate a negative return.

The performance tables below show the net performance of the managers and the Scheme over the 1 and 3 year periods to 31 March 2022 in absolute and relative terms. The effects of an overweight position to LDI through the year has been stripped out to make comparison more meaningful.

Due to the nature of multi-asset credit as an asset class, and the Partners Group Multi-Asset Credit funds in particular, it is not appropriate to assign to these funds a short-term performance figure. Partners has been excluded, therefore, to preclude undue volatility from the presentation of Scheme returns.

Trustee's Report (continued)

Investment Strategy (continued)

Current Additional Voluntary Contributions (AVCs) investment strategy

- A small number of members have AVC investments through Aegon's platform and in legacy arrangements with Aviva, Prudential, Phoenix, Dunfermline and Utmost. These invest in a range of 'With Profit' and unit-linked funds.

Statement of Investment Principles

The Trustee Directors have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The current SIP can be found online at db-scheme-statement-of-investment-principles-august-2020-final.pdf (delaruepensions.co.uk). The SIP gives details of the Trustee's investment objectives, while an accompanying Investment Policy Implementation Document ("IPID") which is available on request provides details of the underlying benchmarks used to measure the performance of the investment managers.

From 2021 the Trustee has been required by regulation to prepare an annual Implementation Statement which details how the investment principles detailed in the SIP have been followed over the year. The Scheme's current Implementation Statement is appended to this document and forms part of the Trustee's report.

The priority for the Trustee Directors when considering the investment policy is to ensure that the promises made about members' pensions may be fulfilled. With this aim, investments have been spread across a range of assets, both by type of investment (equities and bonds) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one market having a substantial impact on the whole Scheme.

Trustee's Report (continued)

Review of Defined Benefit Section Investment Performance

The performance of the Scheme's investments to 31 March 2022 is shown in the next table.

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1 and 3-year performance to 31 March 2022 is used as the most recent to 5 April 2022.

Performance over 12 months to 31 March 2022

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	6.8	7.1	(0.3)
Legal & General – UK Equities	22/07/2014	13.1	13.0	0.1
Baillie Gifford – Diversified Growth[1]	26/06/2012	12.4	3.2	8.9
Insight – Secured Finance	09/12/2019	1.8	3.2	(1.4)
Insight – Buy and Maintain	03/12/2013	(6.6)	(6.6)	0.0
Insight – Liquid ABS	24/07/2019	0.4	0.6	(0.3)
Insight – Global ABS	24/12/2019	0.1	2.2	(2.1)
Insight – LDI[2]	04/11/2013	(9.4)	(9.4)	0.0
Insight – Liquidity Plus	25/07/2019	(0.1)	0.1	(0.2)
Partners Group Multi-Asset Credit 2016 (III)[3]	19/10/2016	1.0	-	-
Partners Group Multi-Asset Credit 2019 (V)[3]	13/08/2019	0.7	-	-
Alcentra – Multi Asset Credit Portfolio[4]	01/11/2018	8.1	4.3	3.7
Total		**(1.7)**	**(1.5)**	**(0.2)**

Source: Hymans Robertson LLP; Investment Managers. All manager performance figures are net of fees.

[1] Performance is for the 12 months to 20 August 2021 (date of fund closure)

[2] Includes the performance of Insight Liquidity Fund (cash element of the LDI)

[3] Is an IRR for the year, which is not taken into account when calculating the total Scheme performance. This fund does not have a formal performance benchmark.

[4] Performance is for the 12 months to 1 December 2021 (date of fund closure)

Trustee's Report (continued)

Performance over 3 Years to 31 March 2022

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	11.7	12.0	(0.2)
Legal & General – UK Equities	22/07/2014	5.3	5.3	0.0
Baillie Gifford – Diversified Growth[1]	26/06/2012	5.4	3.9	1.5
Insight – Secured Finance[2]	09/12/2019	-	-	-
Insight – Buy and Maintain	03/12/2013	0.7	0.7	0.0
Insight – Liquid ABS[2]	24/07/2019	-	-	-
Insight – Global ABS[2]	24/12/2019	-	-	-
Insight – LDI[3]	04/11/2013	(4.2)	(4.2)	0.0
Insight – Liquidity Plus[2]	25/07/2019	-	-	-
Partners Group Multi-Asset Credit 2016 (III)[4]	19/10/2016			
Partners Group Multi-Asset Credit 2019 (V)[4]	13/08/2019			
Alcentra – Multi Asset Credit Portfolio[5]	01/11/2018	-	-	-
Total		**0.9**	**0.8**	**0.1**

Source: Hymans Robertson LLP; Investment Managers. All manager performance figures are net of fees.

[1] Performance is to 20 August 2021 (date of fund closure).

[2] Inception of the fund is less than 3 years ago; therefore performance over longer-term periods than 3 years is not available.

[3] Includes the performance of Liquidity Fund (cash element of the LDI).

[4] Is a "since inception" IRR, not taken into account when calculating the total Scheme performance. The fund does not have a formal performance benchmark.

[5] Performance is to 1 December 2021 (date of fund closure)

Review of Defined Contribution Section Investment Performance

The performance of the Scheme's investments is shown in the table below.

The platform provider issues investment performance reports on a quarterly basis. As the DC section was transferred to master trust arrangement on an intra-quarter date of 6 December 2021, the effective date of the 1 and 3-year performance shown below is the nearest available quarterly performance date of 30 September 2021.

Trustee's Report (continued)

Review of Defined Contribution Section Investment Performance (continued)

Performance over 12 months to 30 September 2021 (being the nearest quarter end to 6 December 2021)

	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Aegon BlackRock 60/40 Global Equity Fund	25.5	25.6	(0.1)
Aegon BlackRock Over 15-year Gilt Fund	(11.6)	(11.2)	(0.4)
Aegon BlackRock Cash Fund	(0.1)	(0.1)	(0.0)

Source: Aegon.

Performance over 3 years to 30 September 2021 (being the nearest quarter end to 6 December 2021)

	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Aegon BlackRock 60/40 Global Equity Fund	5.8	6.0	(0.3)
Aegon BlackRock Over 15-year Gilt Fund	5.0	4.7	0.3
Aegon BlackRock Cash Fund	0.4	0.2	0.1

Source: Aegon

Social, Environmental and Ethical Considerations

The Trustee believes that good stewardship, environmental, social and corporate governance ("ESG") issues may have an impact on investment returns.

The Trustee has given their investment managers full discretion when evaluating ESG issues and in exercising rights (such as voting rights) attached to the Scheme's investments.

The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Investment managers are expected to report on their adherence to these Codes from time to time.

The Trustee reviewed the Scheme's managers' Responsible Investment policies during the year during the preparation of the annual Implementation Statement.

Exercise of Voting Rights

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary meetings of companies.

Trustee's Report (continued)

Custodial Arrangements

Bank of New York Mellon is the Scheme's appointed custodian for the segregated assets managed by Insight. Bank of New York Europe is responsible for the safe-keeping of share certificates and other documents relating to the ownership of listed investments. Investments requiring registration are registered as held by their nominee company, in line with common practice for pension scheme investments.

State Street Custodial Services (Ireland) Limited is the custodian for assets held in Insight Secured Finance Fund.

Assets managed by LGIM are held in the form of units in policies of insurance. The custodian for the UK and overseas equities is HSBC Bank Plc.

Assets managed by Aegon are held in the form of units in policies of insurance, in the name of Scottish Equitable Plc. in a non-custodial arrangement. The fund accountant is CITI.

Assets managed by Partners Group are held in the form of a public limited liability company. The custodian of the underlying assets is RBC Investor Services Bank S.A.

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held. The Scheme's auditor is authorised to make whatever investigations it deems necessary as part of the annual audit.

Investment Management Monitoring

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies

The Trustee has delegated the day-to-day management of the majority of the Scheme's assets to the investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

The Trustee, in conjunction with its Investment Consultant, appoints the Scheme's investment managers and chooses the specific pooled fund to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

Trustee's Report (continued)

Investment Management Monitoring (Continued)

How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies the Trustee will make their concerns known to the investment manager and may ultimately disinvest.

The Trustee pays the Scheme's investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee, in conjunction with their Investment Consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which they will incentivise the investment manager.

How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee, in conjunction with their Investment Consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Scheme.

The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow the Trustee's stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

The Trustee does not in general enter into fixed long-term agreements with the Scheme's investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects the manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Additional Assets

Additional Voluntary Contribution ("AVC") assets were held in funds / deposit accounts managed by Aegon, Aviva, Prudential, Phoenix Life, Utmost, and Dunfermline.

Employer Related Investments

Employer-related investments during the year totalled c.£965 (2021: £nil) or 0.0001% of Scheme's net assets via the Legal and General UK Equities fund.

Trustee’s Report (continued)

Guaranteed minimum pensions (“GMP”)

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group’s defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Subsequently, on 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme notes that the issues will have an impact on the Scheme and has been considering them in conjunction with their advisers.

Under the rulings schemes are required to backdate benefit adjustments in relation to GMP equalisation, provide interest on the backdated amounts and revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The Trustee is currently working through a GMP rectification exercise. The approach for the equalisation of GMP within future cash equivalent transfer values was considered and implemented effective from September 2021. Since then the Scheme has been quoting transfer values which include an allowance for GMP equalisation.

It is expected these back payments of benefit payments plus interest will not be material to the Scheme’s Financial Statements. However, at this stage the Trustee and Company have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest or additional transfer values. Therefore, the cost of backdating pension benefits and related interest and additional transfer values have not been recognised in these Financial Statements. They will be recognised once the Trustee is able to reach a reliable estimate. As part of the 2021 actuarial valuation, a 0.25% loading was applied to the overall total liabilities as an approximate allowance for GMP equalisation.

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

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

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

In discharging these 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 ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the scheme will continue as a going concern.

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 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.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the scheme by or on behalf of employers 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 that fall due to be paid are paid into the scheme 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 to members.

Further Information

Internal Dispute Resolution (IDR) Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution (IDR) procedures in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to the Secretary to the Trustee at the address on page 2 of this report.

The Money and Pensions Service and the Pensions Ombudsman

Members have the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

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

The Pensions Ombudsman can be contacted at:
10 South Colonnade
Canary Wharf
London, E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:
www.pensions-ombudsman.org.uk/our-service/make-a-complaint/

If members have any general requests for information or guidance concerning their pension arrangements contact:
Money Helper Service
120 Holborn
London, EC1N 2TD
Tel: 0800 011 3797
www.pensionsadvisoryservice.org.uk
www.pensions-ombudsman.org.uk

The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

Further Information (continued)

The Pensions Regulator

The Pensions Regulator (TPR) has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton, BN1 4DW
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton, WV98 1LU
www.gov.uk/find-pension-contact-details

Scheme information

The Trust Deed and Rules, the Scheme details and a copy of the payment schedule and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustee at the address shown for general enquiries on page 2 of this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the Administrators of the Scheme, Hymans Robertson LLP, at the address detailed on page 2 of this report.

Approval of the Trustee's Report by the Trustee

Signed for and on behalf of the Trustee of the De La Rue Pension Scheme by:

.... Trustee Director

.... Trustee Director

.... Date

Section 3 – Independent Auditors' Report to the Trustee of the De La Rue Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, De La Rue Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 5 April 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report & Financial Statements, which comprise: the Statement of Net Assets (available for benefits) as at 5 April 2022; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the scheme's ability to continue as a going concern.

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

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Reporting on other information

The other information comprises all the information in the Annual Report & Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

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

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

Auditors' 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 auditors' 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.

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

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date

Section 4 – Financial Statements

Fund Account for year ended 5 April 2022

	Note	Defined Benefit Section £000	Defined Contribution Section £000	Total 2022 £000	*Total 2021 £000*
Contributions and other income					
Employer contributions	*5*	16,285	-	**16,285**	16,343
Other income	*7*	3	-	**3**	7
		16,288	-	**16,288**	16,350
Benefits paid or payable	*8*	(38,274)	(25)	**(38,299)**	(39,932)
Payments to and on account of leavers	*9*	(9,774)	(12,027)	**(21,801)**	(15,171)
Other payments	*10*	-	-	**-**	(22)
Administrative expenses	*11*	(1,771)	-	**(1,771)**	(1,646)
		(49,819)	(12,052)	**(61,871)**	(56,771)
Net withdrawals from dealings with members		**(33,531)**	**(12,052)**	**(45,583)**	**(40,421)**
Returns on Investment					
Investment income	*13*	16,510	-	**16,510**	60,442
Change in market value of investments	*15*	(21,234)	1,331	**(19,903)**	(15,598)
Investment management expenses	*14*	(3,498)	-	**(3,498)**	(1,254)
Net returns on investments		**(8,222)**	**1,331**	**(6,891)**	43,590
Net (decrease)/increase in the fund		**(41,753)**	**(10,721)**	**(52,474)**	**3,169**
Transfers between sections	*6*	5,442	(5,442)	**-**	**-**
Net assets of the Scheme at the start of the year		**1,051,325**	**16,163**	**1,067,488**	**1,064,319**
Net assets of the Scheme at the end of the year		**1,015,014**	**-**	**1,015,014**	**1,067,488**

The notes on pages 31 to 54 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 5 April 2022

	Note	Total 2022 £000	*Total 2021 £000*
Defined Benefit Section			
Investment assets			
Bonds	*15*	**843,419**	1,044,444
Pooled investment vehicles	*15*	**584,080**	653,366
Derivatives	*15*	**83,409**	83,434
AVC investments	*15*	**497**	-
Cash	*15*	**2,502**	803
Amounts due on reverse repurchase agreements	*15*	**81,665**	5,051
Accrued investment income	*15*	**3,632**	5,126
Unsettled transactions	*15*	**28,496**	66,691
		1,627,700	1,858,915
Investment liabilities			
Derivatives	*15*	**(45,081)**	(37,035)
Amounts payable on repurchase agreements	*15*	**(578,309)**	(778,479)
		(623,390)	(815,514)
Total net investments		**1,004,310**	1,043,401
Current assets	*16*	**11,627**	9,992
Current liabilities	*17*	**(923)**	(2,068)
		1,015,014	1,051,325

Statement of Net Assets (available for benefits) as at 5 April 2022 (continued)

	Note	Total 2022 £000	Total 2021 £000
Defined Contribution Section			
Investment assets			
Pooled investment vehicles	15	-	15,354
Unsettled transactions	15	-	23
AVC investments	15	-	692
Total net investments		-	16,069
Current assets	16	**259**	94
Current liabilities	17	**(259)**	-
		-	16,163
Total Net Assets of the Scheme at 5 April 2022		**1,015,014**	1,067,488

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 does take account of such obligations, is dealt with in the Report on Actuarial Liabilities for the Defined Benefit section on pages 7 and 8 of this report and should be read in conjunction therewith.

The notes on pages 31 to 54 form part of these financial statements.

These financial statements were approved by the Trustee of the De La Rue Pension Scheme, and signed for and on their behalf by:

.... Trustee Director

.... Trustee Director

.... Date

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 5 April 2022

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP")

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is: De La Rue Pension Scheme, Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB.

3 COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT AND STATEMENT OF NET ASSETS

	Note	Defined Benefit Section £000	Defined Contribution Section £000	Total 2021 £000
Contributions and other income				
Employer contributions	*5*	16,343	-	16,343
Other income	*7*	7	-	7
		16,350	-	16,350
Benefits paid or payable	*8*	(39,928)	(4)	(39,932)
Payments to and on account of leavers	*9*	(15,074)	(97)	(15,171)
Other payments	*10*	(22)	-	(22)
Administrative expenses	*11*	(1,646)	-	(1,646)
		(56,670)	(101)	(56,771)
Net withdrawals from dealings with members		**(40,320)**	**(101)**	**(40,421)**
Returns on Investment				
Investment income	*13*	60,442	-	60,442
Change in market value of investments		(19,121)	3,523	(15,598)
Investment management expenses	*14*	(1,254)	-	(1,254)
Net returns on investments		**40,067**	**3,523**	**43,590**
Net (decrease)/increase in the fund		**(253)**	**3,422**	**3,169**
Transfers between sections	*6*	1,247	(1,247)	**-**
Net assets of the Scheme at the start of the year		**1,050,331**	**13,988**	**1,064,319**
Net assets of the Scheme at the end of the year		**1,051,325**	**16,163**	**1,067,488**

Notes to the financial statements for the year ended 5 April 2022 (continued)

4 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements, and have been applied consistently with prior year.

4.1 Accruals concept

The financial statements have been prepared on an accruals basis.

4.2 Contributions and benefits

Normal contributions from the Employer, are accounted for on an accruals basis as required in accordance with the Schedule of Contributions.

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or if paid earlier, when received, with the agreement of the Employer and Trustee.

4.3 Benefits and payments to members

Benefits are accounted for on an accruals basis on the later of the date of retirement or the date the members signed the option form or the date of leaving the Scheme as appropriate.

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

4.4 Transfers to other schemes

Individual transfers to other schemes are accounted for when funds are received or paid, or where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

4.5 Other expenses

Expenses and part of the costs of the Employer’s Group Pensions Department relating to the Scheme are accounted for on an accruals basis. The balance of the Group Pensions Department costs relating to the Employer are met by the Sponsoring Employer.

4.6 Investment income

Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.

Pooled investment vehicles which are accumulation funds include their underlying income within the unit price which is reported within the change in market value of investments. Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date declared.

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.

The Scheme pays to and receives interest from the Repurchase Agreements (“**Repos**”) and Reverse Repurchase Agreements (“**Reverse Repos**”) counterparties and this is accounted for on an accruals basis in line with the terms of the respective contracts

Notes to the financial statements for the year ended 5 April 2022 (continued)

4.7 Valuation of investments

Pooled investment vehicles are valued at the year end bid price or, if single priced, the closing single price provided by the investment manager.

Bonds are quoted "clean" (without accrued interest).

Accrued interest is accounted for within investment income receivable.

AVCs are included at the market value advised by the provider as at 5 April 2022 where available. If unavailable, the market value as advised by the provider at 5 April 2021, and adjusted for any cash movements during the year to 5 April 2022, is used.

Derivative contracts are included in the net asset statement at fair value. For Over The Counter (OTC) derivatives, where a market price is not readily available, the fair value is determined by the investment manager using generally accepted pricing models where inputs are based on market data at the year end.

Forward foreign exchange contracts are stated at fair value, which is determined as the gain or loss that would arise from closing out the contract at the reporting date. Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included at the fair value of the repurchase price (as a liability). The assets sold are reported in the appropriate asset class in the investments note at their fair value reflecting that the Scheme retains the risk and rewards of ownership of those assets.

Reverse repurchase agreements (where the Scheme has bought assets with the agreement to sell at a fixed date and price) are included at the fair value of the repurchase price (as an asset). Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme assets.

4.8 Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end.

Foreign currency transactions are translated into sterling at the exchange rate at the date of the transaction.

Gain or losses arising on conversion or translation are dealt with as part of the change in market value of investments.

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

Notes to the financial statements for the year ended 5 April 2022 (continued)

5 EMPLOYER CONTRIBUTIONS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Deficit funding	**15,035**	**-**	**15,035**
Employer's other contributions	**1,250**	**-**	**1,250**
	16,285	**-**	**16,285**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Deficit funding	*15,035*	*-*	*15,035*
Employer's other contributions	*1,308*	*-*	*1,308*
	16,343	*-*	*16,343*

Deficit contributions

Following the 5 April 2021 formal valuation, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 2 March 2022.

Under the revised schedule, the Company is required to pay future annual deficit contributions of £15m by 5 April each year until 5 April 2029.

A separate formal valuation is prepared for the Classic Section of the Scheme, with the most recent valuation for this section taking place as at 31 December 2019. The current Schedule of Contributions for the Classic Section was signed on 7 April 2021. During the year recovery plan contributions of £34,508 (2021: £34,507) were received.

Under the current schedule, the Company is required to pay future deficit contributions in respect of the Classic Section as follows:

By 12 May 2023: £34,507

Employers other Contributions

Monthly contributions of £125,000 were paid to provide for the administrative expenses including Pension Protection Levy which are included in other contributions. The Sponsoring Employer will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Notes to the financial statements for the year ended 5 April 2022 (continued)

6 TRANSFERS BETWEEN SECTIONS

	Defined Benefit Section £000	Defined Contribution Section £000	Total 2022 £000
Transfer of AVC benefits	**5,442**	**(5,442)**	**-**

	Defined Benefit Section £000	*Defined Contribution Section £000*	*Total 2021 £000*
Transfer of AVC benefits	*1,247*	*(1,247)*	*-*

Included in the 2022 transfer between sections is £5,183K of DC section assets of DB section members which have been moved out of the DC section prior to the proposed wind up of the DC section following the transfer of DC Section members' assets to the LifeSight Master Trust (see Note 9).

7 OTHER INCOME

	Defined Benefit Section £000	Defined Contribution Section £000	Total 2022 £000
Other income	**3**	**-**	**3**

	Defined Benefit Section £000	*Defined Contribution Section £000*	*Total 2021 £000*
Other income	*7*	*-*	*7*

Notes to the financial statements for the year ended 5 April 2022 (continued)

8 BENEFITS PAID OR PAYABLE

	Defined Benefit Section	Defined Contribution Section	Total 2022
	£000	£000	£000
Pensions	35,761	-	35,761
Commutations and lump sum retirement benefits	2,500	-	2,500
Death benefits	13	25	38
	38,274	25	38,299

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Pensions	*35,209*	*-*	*35,209*
Commutations and lump sum retirements benefits	*4,591*	*-*	*4,591*
Death benefits	*128*	*4*	*132*
	39,928	*4*	*39,932*

9 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section	Defined Contribution Section	Total 2022
	£000	£000	£000
Transfers out – individual	9,774	262	10,036
Transfers out – group	-	11,765	11,765
	9,774	12,027	21,801

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Transfers out - individual	*15,074*	*97*	*15,171*

The group transfer represents assets transferred on 12 December 2021 in respect of DC section members. The group transfer comprised £11.8m of investments assets transferred from Aegon platform to LifeSight Master Trust.

Notes to the financial statements for the year ended 5 April 2022 (continued)

10 OTHER PAYMENTS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Premiums on term insurance policies	**-**	**-**	**-**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Premiums on term insurance policies	*22*	*-*	*22*

In prior year the insurance policies were secured by a policy underwritten by Lockton.

Notes to the financial statements for the year ended 5 April 2022 (continued)

11 ADMINISTRATIVE EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Administration and Processing	**347**	**-**	**347**
Actuarial fees	**494**	**-**	**494**
Audit fees	**35**	**-**	**35**
Legal fees	**269**	**-**	**269**
TPR levy	**27**	**-**	**27**
Trustee fees	**321**	**-**	**321**
Other professional fees	**211**	**-**	**211**
Bank charges	**2**	**-**	**2**
Consultancy fees	**65**	**-**	**65**
Sundry expenses	**-**	**-**	**-**
	1,771	**-**	**1,771**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Administration and Processing	*422*	*-*	*422*
Actuarial fees	*414*	*-*	*414*
Audit fees	*33*	*-*	*33*
Legal fees	*142*	*-*	*142*
TPR levy	*26*	*-*	*26*
Trustee fees	*238*	*-*	*238*
Other professional fees	*88*	*-*	*88*
Bank charges	*8*	*-*	*8*
Consultancy fees	*264*	*-*	*264*
Sundry expenses	*11*	*-*	*11*
	1,646	*-*	*1,646*

The Scheme bears all costs of administration.

Notes to the financial statements for the year ended 5 April 2022 (continued)

12 TAX

The De La Rue Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

13 INVESTMENT INCOME

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Income from bonds	**16,033**	**-**	**16,033**
Income from pooled investment vehicles	**1,593**	**-**	**1,593**
Net interest expense on repurchase agreements	**(1,269)**	**-**	**(1,269)**
Income from annuities	**153**	**-**	**153**
	16,510	**-**	**16,510**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Income from bonds	*10,275*	*-*	*10,275*
Income from pooled investment vehicles	*50,585*	*-*	*50,585*
Interest on cash deposits	*(564)*	*-*	*(564)*
Income from annuities	*146*	*-*	*146*
	60,442	*-*	*60,442*

Notes to the financial statements for the year ended 5 April 2022 (continued)

14 INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Administration, management & custody	**3,517**	**-**	**3,517**
Investment fee rebate	**(19)**	**-**	**(19)**
	3,498	**-**	**3,498**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Administration, management & custody	*1,286*	*-*	*1,286*
Investment fee rebate	*(32)*	*-*	*(32)*
	1,254	*-*	*1,254*

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS

15.1 INVESTMENT RECONCILIATION

Defined Benefit Section

	Opening Value	*Purchase cost and derivative payments*	*Sales proceeds and derivative receipts*	*Change in market value*	*Closing Value*
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**1,044,444**	236,497	(407,361)	(30,161)	**843,419**
Pooled investment vehicles	**653,366**	432,321	(524,632)	23,025	**584,080**
Derivatives	**46,399**	13,314	(7,287)	(14,098)	**38,328**
AVC investments	**-**	502	(5)	-	**497**
	1,744,209	682,634	(939,285)	(21,234)	**1,466,324**
Cash	**803**				**2,502**
Repurchase agreements (net)	**(773,428)**				**(496,644)**
Accrued investment income	**5,126**				**3,632**
Unsettled transactions	**66,691**				**28,496**
	1,043,401				**1,004,310**

Included within the pooled investment vehicles closing balance are DC assets totalling £497k which are ring fenced for benefits appropriated for the transferred in DC members.

Defined Contribution Section

	Opening Value	*Purchase cost*	*Sales proceeds*	*Change in market value*	*Closing Value*
	£000	**£000**	**£000**	**£000**	**£000**
Pooled investment vehicles	**15,354**	308	(17,034)	1,372	**-**
AVC investments	**692**	-	(651)	(41)	**-**
	16,046	308	(17,685)	1,331	**-**
Unsettled transactions	**23**				**-**
	16,069				**-**

Included within the investments shown above are assets not designated to members, with a value of £nil at 5 April 2022 (5 April 2021: £500k).

Transaction Costs

Indirect transaction costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.1 INVESTMENT RECONCILIATION (CONTINUED)

Direct Transaction Costs

Direct transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above and details are contained in the following table.

	Bonds	**PIVs**	**Total 2022**	*Total 2021*
	£	**£**	**£**	*£*
Explicit costs	1,042	-	1,042	*197*
5 April 2022	**1,042**	**-**	**1,042**	*197*

Unlike the remainder of the tables within this set of financial statements, this table has not been rounded to the nearest £1,000.

15.2 POOLED INVESTMENT VEHICLES (PIV)

Defined Benefit Section

The defined benefits section holdings of PIVs are analysed below:

	2022	2021
	£000	£000
Equities	**60,091**	*126,513*
Bonds	**809**	-
Diversified growth	**-**	*55,380*
Liquidity	**316,126**	*206,941*
Secured Credit Fund (see breakdown on page 43)	**144,003**	*139,556*
Cash	**202**	-
Multi-Asset Credit	**62,849**	*124,976*
	584,080	*653,366*

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.2 POOLED INVESTMENT VEHICLES (PIV) (CONTINUED)

The Scheme is the sole investor in the Secured Credit Fund. The assets underlying this PIV are:

	2022	2021
	£000	£000
Bonds	**126,633**	*124,333*
Forward foreign exchange contracts	**(615)**	*1,192*
Liquidity fund	**10,253**	*15,036*
Futures	**5,577**	-
Cash and unsettled transactions	**2,155**	*(1,005)*
	144,003	*139,556*

Defined Contribution Section

The defined contribution section holdings of PIVs are analysed below:

	2022	2021
	£000	£000
Equities	**-**	*12,825*
Bonds	**-**	*2,016*
Cash	**-**	*513*
	-	*15,354*

15.3 DERIVATIVES

OBJECTIVES AND POLICIES

A summary of the Scheme's outstanding derivative contracts at the year end is set out below:

			2022			2021
	Assets	Liabilities	Net	*Assets*	*Liabilities*	*Net*
	£000	£000	£000	*£000*	*£000*	*£000*
Swaps	**83,351**	**(44,342)**	**39,009**	*83,128*	*(37,033)*	*46,095*
Forward foreign exchange	**58**	**(739)**	**(681)**	*306*	*(2)*	*304*
	83,409	**(45,081)**	**38,328**	*83,434*	*(37,035)*	*46,399*

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

The Trustee has authorised the use of derivative contracts by its investment managers for the use of risk management or the efficient execution of the investment strategy.

- Swap contracts are used by Insight to manage the interest rate risk on the bond portfolio.

- Forward foreign exchange contracts are entered into by Insight on behalf of the Trustee to hedge their currency exposure on overseas holdings.

Swaps	Notional Amounts £000	Expires	Asset value £000	Liability value £000
Inflation swaps	15,225	< 5 years	-	(1,720)
Inflation swaps	25,514	< 10 years	2,848	(2,199)
Inflation swaps	10,611	< 15 years	-	(2,007)
Inflation swaps	3,154	< 20 years	757	-
Inflation swaps	3,111	< 30 years	1,389	-
Inflation swaps	2,480	< 40 years	-	(1,567)
Inflation swaps	1,007	< 45 years	-	(91)
Inflation swaps	1,538	< 50 years	533	(155)
Interest rate swaps	140,768	< 5 years	863	(1,612)
Interest rate swaps	75,474	< 10 years	10,199	(1,743)
Interest rate swaps	92,732	< 15 years	8,466	(5,992)
Interest rate swaps	90,504	< 20 years	13,164	(7,309)
Interest rate swaps	66,020	< 25 years	12,338	(2,518)
Interest rate swaps	16,518	< 30 years	2,797	(270)
Interest rate swaps	43,069	< 35 years	11,091	(3,034)
Interest rate swaps	30,660	< 40 years	-	(7,150)
Interest rate swaps	51,128	< 45 years	18,666	-
Interest rate swaps	16,020	< 50 years	-	(3,663)
Total return swaps	(2,884)	<5 years	240	(3,312)
Total 2022			**83,351**	**(44,342)**
Total 2021			*83,128*	*(37,033)*

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

Forward Foreign Exchange (FX)	Settlement Date	Currency Bought (000)	Currency Sold (000)	Asset value £000	Liability value £000
Bought USD Sold GBP	22/04/2022	223	(216)	**7**	**-**
Bought GBP Sold USD	22/04/2022	13,464	(13,915)	**-**	**(451)**
Bought GBP Sold USD	20/05/2022	(12,931)	(13,194)	**-**	**(264)**
Bought GBP Sold USD	27/05/2022	544	(542)	**2**	**-**
Bought GBP Sold USD	27/05/2022	12,885	(12,835)	**49**	**-**
Bought GBP Sold USD	14/06/2022	145	(145)	**-**	**-**
Bought GBP Sold USD	14/06/2022	145	(145)	**-**	**-**
Bought GBP Sold USD	14/06/2022	145	(145)	**-**	**(1)**
Bought GBP Sold USD	14/06/2022	11,468	(11,492)	**-**	**(23)**
Bought GBP Sold USD	14/06/2022	145	(145)	**-**	**-**
Total 2022				**58**	**(739)**
Total 2021				*306*	*(2)*

At 31 March 2022 collateral of £45.6m (2021: £50.1m) was held in relation to outstanding swap contracts. Of this balance £45.6m was held as cash (2021: £45.3m) and £nil (2021: £4.8m) was held as bonds.

At 31 March 2022 collateral of £6.8m (2021: £3.9m) was pledged in relation to outstanding swap contracts. Of this balance, £0.3m (2021: £0.7m) was pledged as cash and £6.5m (2021: £3.2m) was pledged as bonds.

The collateral relates to swap contracts held within the Insight portfolio. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.4 REPURCHASE AGREEMENTS

In order to manage the Scheme's economic exposure to interest rates and inflation rates, a liability hedging programme using Repurchase Agreements ("Repos") and Reverse Repurchase agreements has been put it in place. Repos are instruments comprising the sale of assets with an agreement to repurchase them at a specified later date and at a fixed price. Reverse repos are instruments comprising the purchase of assets with an agreement to resell them at a specified later date and at a fixed price. These help with the efficient hedging of interest and inflation risk by using leverage. Repos and reverse repos form part of a liability matching portfolio managed by Insight. The Scheme receives cash consideration from counterparties in return for the transfer of bonds, which it commits to repurchase for the consideration received plus accrued interest.

	£000
Net Cash consideration received in year	**496,644**
Accrued interest payable to counterparties	**624**
Amounts payable to counterparties on expiration of contracts	**497,268**

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.4 REPURCHASE AGREEMENTS (continued)

In total, there are 38 (2021: 46) repurchase agreements held at 5 April 2022 with a liability market value of £578.3m (2021: £778.5m) at the year end. In addition there are five (2021: one) reverse repurchase agreement contract with an asset market value of £81.7m (2021: £5.1m). This gives rise to a net repo liability of £496.6m (2021: £773.4m). The expiry dates range between April 2022 and November 2022.

Collateral of £35.1m has been pledged (2021: £37.6m) by the Scheme at 31 March 2022 in relation to these repurchase agreements. The collateral relates to repurchase agreements held within the Insight mandate. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.5 ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments held under the Defined Benefit Section at the year end is shown below:

	2022	2021
	£000	£000
Utmost Life and Pensions Limited (with profits and unit linked funds)	**60**	-
Phoenix Life (with profits and unit linked funds)	**260**	-
Prudential (with profits and unit linked funds)	**177**	-
	497	-

The total amount of AVC investments held under the Defined Contribution Section at the year end is shown below:

	2022	2021
	£000	£000
Dunfermline (cash)	**-**	-
Utmost Life and Pensions Limited (with profits and unit linked funds)	**-**	*47*
Phoenix Life (with profits and unit linked funds)	**-**	*335*
Prudential (with profits and unit linked funds)	**-**	*310*
	-	*692*

Included in the Defined Contribution Section's pooled investment vehicles are AVCs held with Aegon via Aegon funds of £nil (2021: £2,463k).

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.6 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets:

	2022 Market Value		2021 Market Value	
	£000	**%**	£000	%
Insight LDI	**265,896**	**26.2**	N/A	N/A
Insight Liquid ABS Fund Class S Acc GBP	**217,114**	**21.4**	101,477	9.5
Insight Buy and Maintain	**156,648**	**15.4**	N/A	N/A
Insight Secured Finance Direct Lending	**142,732**	**14.1**	139,556	13.1
Insight Liquidity Fund Liquidity Plus Class 2	**51,508**	**5.1**	N/A	N/A
Baillie Gifford Diversified Growth Pension Fund	**N/A**	**N/A**	55,380	5.2

5.7 INVESTMENTS FAIR VALUE HIERARCHY

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.

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

Level 3 Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability. Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.7 INVESTMENTS FAIR VALUE HIERARCHY

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. The Scheme's investment assets and liabilities are classified as follows:

As at 5 April 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	**-**	**843,419**	**-**	**843,419**
Pooled investment vehicles	**-**	**521,232**	**62,848**	**584,080**
Derivatives	**-**	**38,328**	**-**	**38,328**
AVC investments	**-**	**497**	**-**	**497**
Cash	**2,502**	**-**	**-**	**2,502**
Accrued investment income	**3,632**	**-**	**-**	**3,632**
Repurchase agreements (net)	**-**	**(496,644)**	**-**	**(496,644)**
Unsettled transactions	**28,496**	**-**	**-**	**28,496**
	34,630	**906,832**	**62,848**	**1,004,310**
Defined Contribution section				
AVC investments	**-**	**-**	**-**	**-**
Unsettled Transactions	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**

As at 5 April 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	*-*	*1,044,444*	*-*	*1,044,444*
Pooled investment vehicles	*-*	*528,390*	*124,976*	*653,366*
Derivatives	*-*	*46,399*	*-*	*46,399*
Cash	*803*	*-*	*-*	*803*
Accrued investment income	*5,126*	*-*	*-*	*5,126*
Repurchase agreements (net)	*-*	*(773,428)*	*-*	*(773,428)*
Unsettled transactions	*66,691*	*-*	*-*	*66,691*
	72,620	*845,805*	*124,976*	*1,043,401*
Defined Contribution section				
Pooled investment vehicles	*-*	*15,354*	*-*	*15,354*
AVC investments	*-*	*692*	*-*	*692*
Unsettled transactions	*23*	*-*	*-*	*23*
	23	*16,046*	*-*	*16,069*

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS

FRS 102 requires certain disclosures in relation to investment risks arising from financial instruments.

Retirement benefit schemes need to disclose information that enables users of its financial statements to evaluate the nature and extent of the market risk and credit risk arising from the investments at the end of the reporting period.

It defines market risk as:

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: interest rate risk, currency risk, and other price risks.

- Interest rate risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Other price risk — the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

It defines credit risk as:

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

Risks associated with the current investment strategy are:

Credit risk

The Scheme is subject to direct credit risk from its holdings in bonds, gilts, derivatives, cash balances and its holdings in pooled funds.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch or rated at Baa3 or higher by Moody's.

Direct credit risk arising from pooled investment vehicles is mitigated by ring-fencing the underlying assets of the pooled arrangements from the pooled manager. This is achieved via the regulatory environments in which the pooled managers operate and the diversification of investments amongst pooled arrangements. The Trustee carries out due diligence checks on the appointment of new managers, and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Pooled fund investment arrangements used by the Scheme are unrated and comprise of unit-linked insurance contracts OEICs and limited liability partnerships:

Pooled arrangement (Defined Benefit and Defined Contribution)	2022 (£000)	2021 (£000)
Unit linked insurance contracts	61,102	141,867
OEIC	460,129	401,877
Limited liability partnerships	62,848	124,976
Total	**584,080**	**668,720**

Notes to the financial statements for the year ended 5 April 2022 (continued)

15 INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

Indirect credit risk arising in relation to underlying investments is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The Scheme also invests in private debt which does not have a credit rating. Credit risk arising from private debt or instruments that are not listed is mitigated by purchasing debt that is securitised by way of physical assets and/or purchasing debt higher up the capital structure for the issuer. The Trustee manages the associated credit risk by requesting that the investment manager diversifies the portfolio to minimise the impact of default by any one issuer.

Where managers use derivatives and repurchase arrangements, these are generally collateralised or centrally cleared to reduce risk.

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

Interest rate risk

The Scheme is subject to interest rate risk – in absolute terms, and via unhedged risk in relation to the liabilities. The value of the Scheme's bonds, gilts, and certain derivatives (e.g. swaps), are subject to interest rate risk. However, these assets offset a proportion (currently around 84%) of the interest rate risk associated with the liabilities. If interest rates fall, the value of these investments will rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value as will the actuarial value of the liabilities because of an increase in the discount rate.

Currency risk

The Scheme is subject to currency risk from a proportion of its investments in equities, bonds and other financial instruments.

The Trustee has decided to hedge part of the overseas equities currency exposure and not to hedge the remaining equity currency risk as it provides an additional source of diversification. The Scheme's pooled currency hedged equity funds structure with LGIM hedges 66% of exposure to overseas currency (excluding emerging markets).

Management of currency risks arising in the Scheme's other mandates is generally left to the discretion of the managers, noting that their performance targets are set by reference to Sterling-based markets.

Other price risks

Other price risk arises principally from the Scheme's return-seeking portfolio, which includes equities, diversified growth funds, other financial instruments and AVCs (which account for less than 1% of the portfolio). A few of the Scheme's managers use derivatives as a way of obtaining efficient exposure to investment markets.

Use of derivatives

The Trustee holds futures, interest rate swaps and forward foreign exchange contracts, details of which can be found in note 15.3.

Notes to the financial statements for the year ended 5 April 2022 (continued)

15. INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

The following table illustrates the extent which the Scheme's investments are subject to the above risks:

Manager	Total 2022 (£000)	Total 2021 (£000)	Credit Risk	Interest Rate Risk	Currency Risk	Other Risk
Bonds						
Insight Buy and Maintain	156,431	121,433	Yes	Yes	No*	No
Insight LDI	686,988	923,011	Yes	Yes	Yes	No
Pooled Funds						
Baillie Gifford Diversified Growth	-	55,380	Yes	Yes	Yes	Yes
Insight Liquidity Fund Liquidity Plus	54,318	105,652	Yes	No	No	No
Insight Secured Finance Lending	144,003	139,556	Yes	Yes	No	Yes
Insight Liquid/Global ABS	261,808	101,289	Yes	Yes	No	Yes
Partners Group Multi-Asset Credit****	62,848	76,389	Yes	Yes	No*	Yes
Alcentra Global Multi-Asset Credit****	-	48,587	Yes	Yes	No*	Yes
*Insurance Policies***						
LGIM Global Equities	45,683	103,175	No	No	Yes	Yes
LGIM UK Equities	11,255	23,338	No	No	No	Yes
Aegon	4,165	-	Yes	Yes	Yes	Yes
Cash other net investment assets	34,630	72,620	Yes	No	No	No
Derivatives	38,328	46,399	Yes	Yes	Yes***	No
Repurchase agreements	(496,644)	(773,428)	Yes	Yes	No	No
AVC investments	497	-				
Total Defined Benefit Section	**1,004,310**	**1,043,401**				
AVC investments	-	692	Yes	Yes	Yes	Yes
Insurance Policies	-	15,354	Yes	Yes	Yes	Yes
Total Defined Contribution Section	**-**	**16,046**				

Notes to the financial statements for the year ended 5 April 2022 (continued)

15. INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

*There is scope for small amount of currency risk in these mandates, but it is not the main risk of the investment. Currency exposures within the Partners Group portfolios are generally hedged back Sterling. **The assessment above reflects the underlying assets of the insurance policies. The Trustee acknowledges that there is some credit risk associated with an insurance policy. ***Whilst the derivative contracts are exposed to currency risk, these are used to offset currency risk taken elsewhere within the Scheme's asset portfolio. **** Partners Group valuation is as of 31 March 2022 (includes Partners Group Multi-Asset Credit 2016 (III) and Partners Group Multi-Asset Credit 2019 (V)) . The Scheme disinvested from the Baillie Gifford Diversified Growth fund in August 2021 and disinvested from the Alcentra Global Multi-Asset Credit fund in December 2021.

16 CURRENT ASSETS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2022**
	£000	**£000**	**£000**
Employer contributions due	**104**	**-**	**104**
Prepaid pensions	**2,588**	**-**	**2,588**
Cash balances	**8,676**	**259**	**8,935**
Due from DC Section	**259**	**-**	**259**
	11,627	**259**	**11,886**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2021*
	£000	*£000*	*£000*
Employer contributions due	*104*	*-*	*104*
Due from Employer	*192*	*-*	*192*
Prepaid pensions	*2,548*	*-*	*2,548*
Cash balances	*7,148*	*94*	*7,242*
	9,992	*94*	*10,086*

Included in the Defined Contribution cash balances above is £nil (2021: £77k) which is not allocated to members.

Amounts due from Employer relate to recharges of Scheme expenses.

Notes to the financial statements for the year ended 5 April 2022 (continued)

17 CURRENT LIABILITIES

	Defined benefit section	**Defined contribution section**	**Total 2022**
	£000	**£000**	**£000**
Unpaid benefits	**82**	**-**	**82**
Accrued expenses	**841**	**-**	**841**
Due to DB Section	**-**	**259**	**259**
	923	**259**	**1,182**

	Defined benefit section	*Defined contribution section*	*Total 2021*
	£000	*£000*	*£000*
Unpaid benefits	*79*	*-*	*79*
Accrued expenses	*1,861*	*-*	*1,861*
Amounts due to Employer	*128*	*-*	*128*
	2,068	*-*	*2,068*

18 EMPLOYER RELATED INVESTMENTS

At the year end, the Employer owed the Scheme £nil (2021: £192k). In prior year the accrued amount arose due to the Employer incorrectly recharging the Scheme in respect of the annual Pension Protection Fund (PPF) levy. This amount was repaid to the Scheme through a credit against the recharge of Scheme expenses in the year to 5 April 2022.

19 CONTINGENCIES LIABILITIES

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women.

In November 2020 a further High Court judgement was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation and that trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits.

Notes to the financial statements for the year ended 5 April 2022 (continued)

19 CONTINGENCIES LIABILITIES (continued)

The issues determined by the judgement arise in relation to many other defined benefit pension schemes. Under the rulings, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The Trustee and Employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustee is able to reach a reliable estimate.

20 RELATED PARTY TRANSACTIONS

Other that those items disclosed below and elsewhere in the financial statements, there were no related party transactions.

At 5 April 2022 three (5 April 2021: three) of the Trustee Directors were pensioner members and were in receipt of a pension in accordance with the Scheme Rules.

Fees paid in respect of Independent Trustee services provided by PAN Trustees UK LLP for the year ended 5 April 2022 were £266k (5 April 2021: £238k), Ross Trustee Services Limited were £35k (5 April 2021: £nil) and 20-20 Trustee Services Limited were £20k (5 April 2021: £nil).

21 SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure in the financial statements.

Section 6 – Independent Auditors' Statement About Contributions

Independent Auditors' Statement about Contributions to the Trustee of the De La Rue Pension Scheme

Statement about Contributions

Opinion

In our opinion, the contributions payable under the Schedules of contributions for the Scheme year ended 5 April 2022 as reported in De La Rue Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the Schedules of contributions certified by the Scheme actuary on 5 June 2020, 7 April 2021 and 2 March 2022.

We have examined De La Rue Pension Scheme's summary of contributions for the Scheme year ended 5 April 2022 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

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 employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date:

Section 7 - Summary of Contributions

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 5 April 2022

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee.

It sets out the Employer and Member contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 5 June 2020 and 2 March 2022 in respect of the Scheme year ended 5 April 2022. The Scheme Auditors report on contributions payable under the Schedules in the Auditors' Statement about Contributions.

Summary of Contributions payable in respect of the Scheme year

Employer's Contributions	£000
Deficit funding	15,000
Employer's other contributions	1,250
Other contributions	35
Total contributions payable to the Scheme under the Schedules per the Fund Account	**16,285**

Signed for and on behalf of the Trustee:

-- Trustee Director

-- Trustee Director

-- Date

Section 8 – Actuarial Statement & Certificate

De La Rue Pension Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 5 April 2021 can be expected to be met by the end of the period specified in the recovery plan dated 2 March 2022.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 2 March 2022.

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

Signature	
Date	2 March 2022
Name	Laura McLaren
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

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

De La Rue Pension Scheme | Hymans Robertson LLP

De La Rue Pension Scheme
Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 December 2019 can be expected to be met by the end of the period specified in the recovery plan dated 7 April 2021.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 7 April 2021.

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

Signature	
Date	7 April 2021
Name	Laura McLaren
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

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

Section 9 - DB Implementation Statement for the year ended 5 April 2022

Statement of Compliance with the De La Rue Pension Scheme's Stewardship Policy for the year ended 5 April 2022.

This statement covers the DB Scheme. The DC Section of the Scheme was transferred to a master trust arrangement on 6 December 2021 and is not covered in this Implementation Statement.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 6 April 2021 to 5 April 2022.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed periodically in line with the Scheme's Statement of Investment Principles ("SIP") review which was last completed in August 2020. No changes were made to the SIP during the last year. Subsequent to the Scheme year-end and the preparation of this Implementation Statement, the SIP has been updated to reflect strategic changes, reference to the Scheme's climate change policy, and the transfer of the DC Section to Master Trust arrangement.

The Scheme Stewardship Policy can be found within the Scheme's Statement of Investment Principles, at www.delaruepensions.co.uk/

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets periodically with their managers and the Trustee considers the managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

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

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and, where appropriate, to monitor managers' voting patterns. The Trustee also monitors investment managers' voting on particular companies or issues that affect more than one company.

The Trustee has investment in equity assets through three different mandates: LGIM Global Equity Index comprised of underlying regional equity funds (including GBP-currency-hedged funds); LGIM UK Equity Index; and previously the Baillie Gifford Diversified Growth Fund (disinvested 9 August 2021). The managers made use of the services of the following proxy voting advisors, as detailed in Table 1 on the next page:

Voting activity (continued)

Table 1: DB managers – proxy advisors

Manager	Proxy Advisor used
LGIM	ISS
Baillie Gifford	No proxy advisor used

The Trustee's investment managers have reported on how votes were cast in each of these mandates as set out in the tables below.

Table 2: LGIM voting data for the year to 31 March 2022 (being the nearest month end to 5 April 2022)

	UK Equity Index	North America Equity Index	Europe (ex UK) Equity Index	Japan Equity Index	Asia Pacific (ex-Japan) Equity Index	World Emerging Markets Equity Index
Proportion of Scheme's DB assets as at 5 April 2022	1.1%	2.0%	0.8%	0.6%	0.2%	1.0%
No. of meetings eligible to vote at during the period	772	663	549	512	499	4,087
No. of resolutions eligible to vote on during the period	10,813	8,181	9,447	6,109	3,457	34,237
% of resolutions voted	99.98%	99.74%	99.80%	100.00%	99.97%	99.80%
% of resolutions voted with management	93.07%	70.43%	82.19%	86.64%	73.41%	81.11%
% of resolutions voted against management	6.93%	29.51%	17.11%	13.34%	26.36%	16.71%
% of resolutions abstained	0.00%	0.06%	0.70%	0.02%	0.23%	2.18%
% of meetings with at least one vote against management	43.58%	94.72%	76.87%	75.00%	72.89%	49.35%

Source: LGIM

Implementation Statement (continued)

Voting activity (continued)

Table 3: Baillie Gifford voting data for the 4 months to 31 July 2021 (being the nearest month end to 9 August 2021 (the disinvestment date))

Diversified Growth Fund	
Proportion of Scheme's DB assets as at 5 April 2022	0%
No. of meetings eligible to vote at during the period	96
No. of resolutions eligible to vote on during the period	1,220
% of resolutions voted	87.6%
% of resolutions voted with management	95.5%
% of resolutions voted against management	3.7%
% of resolutions abstained	0.8%
% of meetings with at least one vote against management	21.9%

Source: Baillie Gifford

The resolutions which LGIM and Baillie Gifford voted against management the most on over the Scheme year were mainly in relation to:

- Executive remuneration;
- Board composition

Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. The majority of public companies hold their Annual General Meeting ("AGM") during the second quarter of each year.

From the managers' reports, the Trustee has identified the following votes in Table 4 and Table 5 as being of greater relevance to the Scheme. Significant votes may be defined as those that have a large relative size of holding in portfolio, potential impact of vote on company, size of manager position in company, profile of resolution, among others.

Significant votes (continued)

Table 4: LGIM significant votes for the year to 31 March 2022

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
30/04/2021	United Overseas Bank Limited (Singapore)	Resolution 5 Elect Wong Kan Seng as Director	LGIM voted against the resolution.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.
28/05/2021	Total SE	Resolution 6 Re-elect Patrick Pouyanne as Director	LGIM voted against the resolution (against management).	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).
03/06/2021	Informa Plc	Resolution 3, Re-elect Stephen Davidson as Director Resolution 5, Re-elect Mary McDowell as Director Resolution 7, Re-elect Helen Owers as Director Resolution 11, Approve Remuneration Report	LGIM voted against Resolutions 3, 5, 7, and 11 (against management recommendation).	LGIM consider this vote to be significant as they took the rare step of publicly pre-declaring it before the shareholder meeting. LGIM had noted their concerns with the company's remuneration practices for many years. Due to continued dissatisfaction, they again voted against the proposed Policy. LGIM took the decision to escalate their vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.
29/06/2021	Mitsubishi UFJ Financial Group, Inc.	Resolution 3 Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement	LGIM voted for the resolution.	LGIM views climate change as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf. This was also a high profile proposal in Japan, where climate-related shareholder proposals are still rare.
17/09/2021	Alibaba Group Holding Limited	Resolution 1.1 - Elect Director Joseph C. Tsai	LGIM voted against the resolution.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Significant votes (continued)

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
04/03/2022	Apple Inc.	Resolution 9 - Report on Civil Rights Audit	LGIM voted for the resolution.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their client's behalf. A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.

Source: LGIM

Table 5: Baillie Gifford significant votes for the 4 months to 31 July 2021 (being the nearest month end to 9 August 2021 (the disinvestment date))

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
09/04/2021	Rio Tinto Plc	Remuneration - Report	Baillie Gifford voted against the resolution.	Baillie Gifford considers this vote to be significant because they opposed the remuneration report. Baillie Gifford did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.
16/04/2021	Vonovia SE	Amendment of Share Capital	Baillie Gifford voted against the resolution.	Baillie Gifford considers this vote to be significant because it received greater than 20% opposition. Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.
05/05/2021	Six Flags Entertainment Corporation	Remuneration – Say on Pay	Baillie Gifford voted against the resolution.	Baillie Gifford considers this vote to be significant because it received greater than 20% opposition. Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO.

Significant votes (continued)

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
13/05/2021	Galaxy Entertainment Group	Incentive Plan	Baillie Gifford voted against the resolution.	Baillie Gifford considers this vote to be significant because it received greater than 20% opposition. Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan.

Source: Baillie Gifford

Additional Voluntary Contributions

The Scheme also offers Additional Voluntary Contribution ("AVC") policies through Blackrock, Prudential, Aviva, Phoenix Life and Utmost. Where the fund is invested in equities, the underlying managers of these funds vote on behalf of the Trustee. The managers made use of the services of the following proxy voting advisors, as detailed below:

Table 6: AVC managers – proxy advisors

Manager	Proxy Advisor used
BlackRock	ISS
Prudential	ISS
Utmost	ISS

The following BlackRock fund offered through the Scheme has voting rights associated with it:

Table 7: BlackRock voting data for the year to 31 March 2022

BlackRock 60/40 Global Equity fund	
No. of meetings eligible to vote at during the period	2,995
No. of resolutions eligible to vote on during the period	36,686
% of resolutions voted	99%
% of resolutions voted with management	92%
% of resolutions voted against management	7%
% of resolutions abstained	1%
% of meetings with at least one vote against management	34%

Implementation Statement (continued)

Additional Voluntary Contributions (continued)

The following Blackrock funds offered through the Scheme do not have voting rights attached to them:

- BlackRock Over 15-Year Gilt fund; and
- BlackRock Cash fund

Members with existing AVCs also have access to funds with voting rights via Prudential, Aviva and Utmost.

The following Prudential funds offered through the Scheme have voting rights associated:

- Prudential With Profits Fund
- Prudential Dynamic Growth
- Prudential Global Equity
- Prudential International Equity
- Prudential S3 Discretionary Pen

Summary voting statistics for the Prudential funds with attaching voting rights are displayed in Table 8 below:

Table 8: Prudential voting data for the year to 31 March 2022

	Prudential With-Profits	Prudential Dynamic Growth	Prudential Global Equity	Prudential International Equity	Prudential S3 Discretionary Pen
No. of meetings eligible to vote at during the period	3,738	5,283	1,743	1,212	1,790
No. of resolutions eligible to vote on during the period	44,210	56,637	22,600	14,615	22,826
% of resolutions voted	97.5%	99.9%	97.0%	96.2%	96.9%
% of resolutions voted with management	92.0%	92.3%	92.8%	91.2%	92.7%
% of resolutions voted against management	7.0%	7.0%	7.2%	7.9%	6.5%
% of resolutions abstained	1.0%	0.6%	0.0%	0.9%	0.8%
% of meetings with at least one vote against management	41.7%	34.4%	45.0%	43.2%	45.0%

Additional Voluntary Contributions (continued)

The following Prudential funds offered through the Scheme do not have voting rights attached to them:

- Prudential Fixed Interest

The following Utmost funds offered through the Scheme have voting rights associated:

- Utmost Multi-asset Cautious Fund; and
- Utmost Managed Pension Fund

Summary voting statistics for the Utmost funds with attaching voting rights are displayed in Table 9 below:

Table 9: Utmost voting data for the year to 31 March 2022

Utmost Multi-Asset Cautious Fund	
No. of meetings eligible to vote at during the period	1
No. of resolutions eligible to vote on during the period	7
% of resolutions voted	100%
% of resolutions voted with management	100%
% of resolutions voted against management	0%
% of resolutions abstained	0%
% of meetings with at least one vote against management	0%

Summary voting statistics for the Managed Pension Fund were not available at the time of preparing this statement.

The following Utmost funds offered through the Scheme do not have voting rights attached to them:

- Utmost Money Market Pension fund

The fund available to members as part of the Phoenix Life policy, which has no voting rights attached, is listed below:

- Phoenix Life With Profits fund

The funds available to members as part of the Aviva policy are listed below:

- Aviva With Profits fund

Summary voting statistics for this fund were not available at the time of preparing this statement.

Additional Voluntary Contributions (continued)

Table 10: Blackrock significant votes for the year to 31 March 2022

Date	Company	Subject	Vote
08/04/2021	Vinci SA	Approve Allocation of Income and Dividends of EUR 2.04 per Share	Blackrock voted for the resolution
08/04/2021	Jardine Strategic Holdings Ltd.	Approve the Amalgamation Agreement	Blackrock voted against the resolution
08/04/2021	Dow Inc.	Advisory Vote to Ratify Named Executive Officers' Compensation	Blackrock voted for the resolution

Table 11: Prudential significant votes for the year to 31 March 2022

Date	Company	Subject	Vote
22/04/2021	Johnson & Johnson	Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation Item 4: Report on Government Financial Support and Access to COVID-19 Vaccines and Therapeutics Item 5: Require Independent Board Chair Item 6: Report on Civil Rights Audit Item 7: Adopt Policy on Bonus Banking	Prudential voted for Items 2 and 6, and against Items 4, 5, and 7
05/05/2021	Barclays Plc	Approve Market Forces SH resolution	Prudential voted against the resolution
05/05/2021	QBE Insurance Group Limited	Approve Exposure Reduction Targets	Prudential voted for the resolution
18/05/2021	Royal Dutch Shell Plc	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Prudential voted against the resolution (in line with management)

Significant votes in relation to the Utmost Multi-asset Cautious Fund had not been disclosed at the time of preparing this statement.

Trustee engagement activity

The Trustee holds meetings with its investment managers on a periodic basis where stewardship matters are discussed in further detail. Over the year, the Trustee met with one out of its five DB investment managers.

Note that the Trustee disinvested from two investment managers during the year: Baillie Gifford in August 2021 and Alcentra in December 2021.

Table 12: Trustee's engagement activity with DB investment managers over the year to 5 April 2022

Date	Fund manager	Subject discussed	Outcome
3 December 2021	Partners Group	• Business update • Portfolio update and performance analysis of the underlying loans • Cashflow distribution forecast • How ESG is incorporated into their investment process and examples of engagement activity	The Investment Committee was content with the update and had no further actions for Partners Group following the meeting.

Summary of manager engagement activity

The rest of the Scheme's DB investment managers invest in non-equity assets which may not have voting rights. The managers are nonetheless expected to engage with investee companies on ESG issues.

The following table summarises the key engagement activity for the 12-month period ending 31 March 2022, which is the most recent date to the Scheme's year end.

Table 13: Summary of investment managers' activity over the year to 31 March 2022

Manager: Fund	Approach	Topic(s) engaged on
Insight: Corporate Bonds and Secured Finance Fund	The fund invests primarily in a portfolio of debt securities, with no voting rights. Insight engages via questionnaires, surveys and calls with senior management of investees mainly at executive level. Insight also produce annual reports on integration of the Responsible Investment ("RI") principles into their investment management process across the business.	Key engagements in relation to corporate bonds and secured finance are as follows: • Commonwealth Bank of Australia ("CBAAU"): Insight engaged with CBAAU following their annual results announcement to check in on their transition pathways progress. Insight were encouraged by their ESG risk assessment and willingness to exit client relationships when necessary. • BP: Insight engaged with BP to discuss their approach to developing carbon capture, utilisation and storage and hydrogen solutions, and investing heavily in charging point infrastructure. Insight will continue to closely monitor the climate-related progress of BP over time and will continue to communicate their expectations to the company. • Credit Suisse: Insight engaged with Credit Suisse due to its recent governance-related controversies, which were impacting the company's engagement score. Insight were satisfied that appropriate actions were being taken by the organisation as a result of the failings, however will continue to monitor the output of future reports. Broad engagements over the year covered climate change, environmental issues, governance, social issues, accounting issues, risk management, strategy, and refinancing over the year.

Summary of manager engagement activity (continued)

Manager: Fund	Approach	Topic(s) engaged on
Insight: Liability Driven Investments and Cash	The funds invest in gilts, cash instruments, asset-backed securities, and other fixed income, with no voting rights. Cash instruments exclude controversial weapons, defence, tobacco, gambling facilities, fossil fuels and coal mining. Of over 1,000 engagements over the year 2021, approximately 80% considered ESG matters in the discussions across every industry sector under management. The main sector engaged with was the financial sector.	The only key engagement in relation to the LDI portfolio: • UK Treasury: This particular engagement was a one-to-one call with senior DMO and UK Treasury officials to discuss the UK green bond. Insight rated the Green Gilt as 'Dark Green' and as a result, were the largest investor of Green Gilts when it was issued in September 2021. In 2021 Insight made enhancements to their counterparty engagement process with the objective of achieving a greater level of impact in their engagements with entities in their capacity as counterparties. This programme went live for 2022 with over 20 of Insight's largest trading partners asked to respond to detailed questionnaires.
Alcentra: Multi Asset Credit **(disinvestment date 31 December 2021)**	The Fund invests in developed market sub-IG corporate credit and voting is not material within the context of its investment's activity. Alcentra can still contribute to a company's strategy via engagement. Alcentra take a leading and active role in engagement with the fund's markets and portfolio companies, to better understand risks, improve disclosures and encourage issuers to act in a sustainable manner.	Key engagements over the year include: • European Chemicals Conglomerate: Alcentra engaged with the company to better understand their long-term climate strategy and management of hazardous chemicals. The company also recently announced a number of low-carbon projects in Europe, with a goal of reaching net zero emissions by 2050. Alcentra will monitor the company's publication of their interim 2030 reduction targets and progress. • European Convenience Retailer: Alcentra engaged with management to voice their concerns about lack of independent directors on the board and to better understand the steps the company was taking to improve its internal controls. The board took positive steps to improve its governance by appointing an independent director.

Summary of manager engagement activity (continued)

Manager: Fund	Approach	Topic(s) engaged on
		• European Packaging Company: Alentra engaged with management on capital structure refinancing - ESG KPIs and ESG ratchets and key industry trends. Alcentra served as a sounding board during the firm's pre-marketing stage of its capital structure refinancing and were comfortable with the ESG risks surrounding the issuer. Action on climate change: Alcentra adopt a Climate Change Risk assessment focusing on Greenhouse Gas emissions, as well as considering the commitment of the issuer to mitigate exposures to material ESG risks. Alcentra's Climate Change checklist provides investment teams with a consistent approach to rating issuers across sectors and markets. In addition, they produce a distinct Climate Change Risk Rating centred on greenhouse gas ("GHG") emissions.
Partners Group: Illiquid Private Debt	The MAC (III) 2016 fund and the MAC (V) 2019 fund invest in private debt and does not currently invest in public equities and therefore has no material exposure to assets which carry any voting rights. There may be some debt holdings which are converted to equity or have equity holdings attributed to them, in which case Partners follow their Proxy Voting directive. Partners Group engages via regular calls with investee company management.	Partners Group engaged with its investee companies across issues such as restructuring, refinancing support, strategy, acquisitions and trading update and the transition to SOFR. Key engagements over the year for the MAC (III) fund include: • Cote Bistro: Partners Group engaged on the restructuring process. The 2020 restructuring of the business resulted in a 100% equity ownership by Partners Group. After four months of complete closure, the restaurants reopened in May 2021 and initial trading has been encouraging. • DBI Services: Partners Group engaged on a potential restructuring process as DBI had been suffering from operational issues and a stretched balance sheet that were exacerbated by a challenged corporate governance, in addition to COVID-19 related operational setbacks.

Implementation Statement (continued)

Summary of manager engagement activity (continued)

<table>
<tr><th>Manager: Fund</th><th>Approach</th><th>Topic(s) engaged on</th></tr>
<tr><td></td><td>Partners Group implements a Climate Change Strategy to manage their portfolios towards the Paris Agreement climate goals and in alignment with TCFD disclosure recommendations and has a key focus on renewable energy and carbon avoidance strategies in their portfolios.</td><td>JLA: Partners Group engaged with management to get a trading update on the performance of the business and gained comfort around recovery in financial performance from Covid.
Claranet: Partners Group engaged with management to confirm upcoming repayment of first lien loan. The senior debt exposure was fully repaid in Q4 2021.
Key engagements over the year for the MAC (V) fund include:
Advania: Partners Group engaged to get a trading update and provided incremental £50m financing to support the acquisition of a UK based target.
Envision Phrama: Partners Group engaged to discuss the provision of incremental financing to support a large potential acquisition.
Independent Vetcare: In light of the transition from LIBOR to SOFR, Partners Group engaged to provide consent to technical amendments of financing documentation.
Thinkproject: Partners Group engaged to discuss current trading since the acquisition and were introduced to the new CEO. They received confirmation of strong trading performance since investment.
Action on climate change:

In 2021, Partners Group became the only global private markets firm to be included in the Dow Jones Sustainability Indices (DJSI), reflecting the firm’s position as a corporate sustainability leader in private markets.

Partners Group also joined the Initiative Climate International (ICI), a landmark global climate initiative for the private equity industry that is supported by the UNPRI.</td></tr>
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Source: Investment managers

Implementation Statement (continued)

Review of policies

The Trustee reviews the managers' policies in relation to engagement actions, including voting, on a periodic basis. The most recent review was undertaken by the Trustee in December 2020. The Trustee will review the managers' policies again at a forthcoming Investment Committee meeting. The review considered the DB managers' broader approach to responsible investment in addition to considering any change in approach by the manager over that year. The Trustee also considered changes to their managers' voting policies.

The Trustee and its advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.