Capita

The Allen & Overy Pension Scheme

Registration Number: 10108297

Trustee's Annual Report and Financial Statements
For the Year Ended 31 December 2023

Contents

Trustee and Advisers

Principal Employer	A&O Shearman LLP
Trustee	Allen Overy Shearman Sterling Pension Trustee Limited
	Directors: J Parr (resigned as Chair and Director on 30 April 2024) N Bowden (Chair from 1 May 2024)(ENT) G Fraser (MNT) L Thompson (MNT) P Regan (MNT) D Morris (ENT)(resigned 30 April 2024)
Trustee Secretary	Claire Perusko c/o Allen Overy Shearman Sterling Pension Trustee Limited One Bishops Square London E1 6AD
Address for general and benefit enquiries	Capita Pension Solutions Limited PO Box 555 Stead House Darlington DL1 9YT Tel 01227 771445 AllenOvery@capita.co.uk
Employer's covenant adviser	Lane Clark & Peacock LLP
Investment Managers	**DB Section Only** Legal & General Assurance (Pensions Management) Limited BlackRock Investment Management (UK) Limited Insight Investment Management (Global) Limited M&G Investment Management Limited Adept Investment Management plc
DC Section and DB AVCs	Standard Life Investments Limited
With Profits AVCs Investment Managers	Prudential Assurance Company Limited Prudential Life & Pensions UK Limited
Investment Advisory Services	Aon Solutions UK Limited
Scheme Actuary	Darren Charles FIA (Aon Solutions UK Limited)
Independent Auditors	PricewaterhouseCoopers LLP
Bankers	Lloyds Bank plc
Legal Adviser	Sackers & Partners LLP
Scheme Administrator	Capita Pension Solutions Limited
Life Cover Insurers	American International Group Limited Legal & General Assurance Society

Chair's Review

For the year ended 31 December 2023

This review sets out a summary of the main events having an impact on the Scheme.

Over the scheme year, the Bank of England (BoE) raised its benchmark interest rate cumulatively by 1.75% to 5.25% to combat high inflation levels. The rising interest rates have had positive effects on money market / cash funds but have caused a downward pressure on the performance of government and corporate bonds.

The Trustee has been regularly monitoring this and has seen an uptake in returns towards the end of the Scheme year. The Trustee does not have any long-term concerns with the Scheme.

Defined Benefit (DB) Section

In 2023, the Trustee agreed to review the DB investment strategy due to changes in the wider investment and regulatory universe following gilt market volatility in 2022. This review coincided with the triennial actuarial valuation of the Scheme. The objective of this review was to refocus the strategic plan by reducing the risk whist retaining the expected return in the portfolio. The review led to material changes in the Scheme's asset allocation. In the second half of 2023, the initial phase of the implementation was carried out which involved disinvestment from part of the LGIM equity holdings, Multi-Asset Credit (MAC) and BlackRock Property (which is being fully redeemed over time) and reinvestment of those proceeds into the Insight - High Grade ABS Fund.

The Liability Driven Investment (LDI) portfolio managed by Insight returned c.-3.6% over the year. The negative performance during the period has principally been driven by the rise in gilt yields over 2023. This has meant that liabilities have fallen in value and the LDI portfolio, which is designed to move in the same way as a proportion of the Scheme's liabilities, also fell in value. Throughout this period, however, the Scheme has remained well-funded at over 100% on a Technical Provisions basis.

As a backdrop, when there had been significant volatility in the gilts market in late 2022, the Scheme submitted a full redemption for its UK property holding with BlackRock. This was initially deferred, however throughout 2023, BlackRock began returning capital to its investors. Currently, the redemption proceeds have been partially returned with the remaining redemption proceeds to be released shortly after Q2 2024.

As at 31 December 2023, the Scheme asset allocation was within the ranges outlined in the Statement of Investment Principles ("SIP") except where it necessarily deviates as a result of the above delay to receiving property proceeds.

Chair's Review

For the year ended 31 December 2023 (continued)

Defined Contribution (DC) Section

Following a turbulent market over 2022, members invested in the default lifecycle strategy have seen some recovery over the year to 31 December 2023. All members invested in the default arrangement have experienced a positive net return over the 1-year and 5-year reporting periods. Members closer to retirement experienced lower returns than those further from retirement across both the 1 and 5-year reporting periods. This is to be expected, given that a proportion of members' assets transition into a more diversified range of asset classes, as retirement approaches. The mix of assets includes multi-asset funds as well as corporate and government bond funds while maintaining a level of equity exposure.

Separately, the Trustees undertook a review of the DC Investment Strategy in November 2022. As part of this review, the Trustee's investment consultants highlighted a number of potential improvements to the Scheme's DC Section along with some potential limitations associated with the existing pension platform provider. The Trustees are currently considering the recommendations and assessing the improvements that could be made to member outcomes and experience.

N Bowden
Chair of Trustee

Date:

Trustee's Report

The Trustee of The Allen & Overy Pension Scheme has pleasure in presenting its annual report together with the audited financial statements for the year ended 31 December 2023.

Scheme Management

The Scheme

The Allen & Overy Pension Scheme ("the Scheme") is an occupational pension scheme established under an irrevocable trust dated 30 December 1983 and is governed by a Definitive Trust Deed and Rules which is available for inspection on request to Claire Perusko at the address on page 2. An outline of the Scheme's benefits is found on the Scheme website, www.myallenoverypension.com. The Scheme is a hybrid pension arrangement covering both defined benefit (DB) and defined contribution (DC) sections.

The Trustee and its Directors

The current Trustee is Allen Overy Shearman Sterling Pension Trustee Limited ("the Trustee"). The right of appointing and removing Directors of the Trustee is determined by the company's Articles of Association. The current directors of the Trustee are shown on page 2 of this document.

The Board of Directors of the Trustee of the Scheme normally comprises 6 Directors. As at 31 December 2023 it comprised 3 Employer Nominated Trustee Directors (N Bowden, D Morris and J Parr) and 3 Member Nominated Trustee Directors (L Thompson, P Regan and G Fraser). Member Nominated Trustee Directors are elected for a period of three years. The Trustee Directors are all members of the Scheme with the exception of J Parr and N. Bowden.

Trustee Training

All Trustee Directors are provided with comprehensive training opportunities through external courses. Training for new Trustee Directors includes Defined Benefit and Defined Contribution training. In addition, training on topical issues during the year was organised for all Trustee Directors where a need was identified.

Financial Statements

The financial statements included in this report are the accounts required by the Pensions Act 1995. They have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of that Act.

Increases of Pensions

Pension payments were increased at 1 January 2023 by 5% (2022: 5.0%) for pensions earned before 23 September 1996 and by 5.0% for pensions earned after 23 September 1996. These were based on the rise in the Consumer Price Index (CPI) over the year to September 2022. This was pro-rated for new pensioners in the year.

Deferred pensions have been increased in accordance with statutory requirements. No discretionary increases were made to Scheme pensions by the Trustee or the Employer.

Trustee’s Report

Scheme Management

Risk Register

A Risk Register has been created and is reviewed periodically by the Trustee. The purpose of the Risk Register is:

- to highlight the scope of risk to which the Scheme is exposed from the Trustee’s perspective;
- to rank those risks in terms of likelihood and impact; and
- to identify management actions that are either currently being taken, or that are believed should be taken, in order to mitigate the identified risks.

Actuarial Position

The actuarial position of the Scheme, which takes into account the obligations for the Defined Benefit section, is dealt with in the Report on Actuarial Liabilities which can be found on pages 29 and 30.

General Code of Practice

The Pensions Regulator's (TPR) long-awaited General Code of Practice was laid before Parliament on 10 January 2024 and came into force on 27 March 2024. The code consolidated and replaced 10 of TPR's existing codes of practice on the governance and administration of pension schemes as well as introducing some new requirements.

Central to the Code are the Regulator's expectations as to the features of a well-run scheme and how the governing body (those in charge of pension schemes) should comply with their legal duties. Governing bodies will need to have in place an effective system of governance (ESOG), which is a collection of internal controls and procedures in relation to running a pension scheme. The code sets out TPR’s expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place, which includes the obligation to conduct an Own Risk Assessment (ORA).

While the ORA is a new provision, TPR anticipates that many of the stipulations are already being adhered to by schemes. The Trustee is working with its advisers to identify any gaps and assess what actions need to be taken to ensure compliance with the General Code.

Trustee's Report

Membership and Beneficiaries

	Active Members	Employed Defined Benefit Early Leavers	Deferred Members	Pensioners	Total
Defined Contribution Section					
Totals at 31/12/2022	**1,846**	**-**	**3,972**	**-**	**5,818**
Adjustments	**(29)**	**-**	**29**	**-**	**-**
New Members	**240**	**-**	**-**	**-**	**240**
Leavers – preserved	**(290)**	**-**	**290**	**-**	**-**
Uncrystallised funds pension lump sums	**-**	**-**	**(8)**	**-**	**(8)**
Deaths	**-**	**-**	**(2)**	**-**	**(2)**
Retirements	**(1)**	**-**	**(1)**	**-**	**(2)**
Transfers out	**-**	**-**	**(111)**	**-**	**(111)**
Totals at 31/12/2023 for Defined Contribution	**1,766**	**-**	**4,169**	**-**	**5,935**
Defined Benefit Section					
Totals at 31/12/2022	**-**	**-**	**432**	**309**	**741**
Adjustments for late notifications	**-**	**-**	**(5)**	**1**	**(4)**
Deaths	**-**	**-**	**-**	**(8)**	**(8)**
Retirements	**-**	**-**	**(16)**	**16**	**-**
New dependants	**-**	**-**	**-**	**2**	**2**
Sub totals at 31/12/2023	**-**	**-**	**411**	**320**	**731**
Defined Benefit Early Leavers					
Totals at 31/12/2022	**-**	**60**	**47**	**30**	**137**
Leavers preserved	**-**	**(2)**	**2**	**-**	**-**
Retirements	**-**	**(2)**	**(1)**	**3**	**-**
Sub totals at 31/12/2023	**-**	**56**	**48**	**33**	**137**
Totals at 31/12/2023 for Defined Benefit	**-**	**56**	**459**	**353**	**868**
Overall totals at 31/12/2023	**1,766**	**56**	**4,628**	**353**	**6,803**

As at 31 December 2023, there were 35 (2022: 33) dependant pensioners in the Defined Benefit section. Included in the above are 9 (2022: 9) members who receive pensions through annuities directly from the insurer.

Employees who, under auto enrolment, opt out of becoming a member of the Scheme are included in "New members" above and then shown under "Leaver – refunds or no benefit" when they have opted out within the required period. Employed DB Early Leavers are members of the DB Section who were in pensionable service when the Scheme closed to accrual on 31 December 2006.

Investment Matters

Overview

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

Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 2. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of environmental, social and governance (ESG) as well as ethical issues in the selection, retention, and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustee has reviewed each of the investment managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with its own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a SIP which has been updated in May 2022 and includes the Trustee's policy relating to ESG investment and the exercise of the rights attaching to investments. Any member may request a copy. This Statement sets out the investment strategy and may change from time to time according to advice received from the investment manager or consultants.

See: https://www.myallenoverypension.com/Library/AOLibMemComm.ASP

Custodial arrangement

The DB assets and the DC assets are invested in unitised pooled investment vehicles where the manager makes its own arrangements for the custody of the underlying investments.

Employer-related investments

The law restricts the extent to which the assets of the Scheme can be invested in investments relating to the Employer. At 31 December 2023, the Scheme did not hold any employer-related investments (2022: £nil) either directly or indirectly through pooled investment vehicles.

Post year end event

Please note that with effect from 1 May 2024, A&O Shearman LLP was formed following the merger between Allen & Overy LLP and Shearman & Sterling LLP.

Also following the cyber incident in 2023, further member comms were issued to members in June 2024.

Trustee's Report

Investment Matters (continued)

Defined Benefit section

Investment strategy

The Trustee's aim is to invest the assets of the Scheme with the objective that the benefits promised to members are provided as far as can reasonably be expected. In setting the investment strategy, the Trustee first considered a range of asset allocations modelled by Aon that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy whilst maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant and the long-term liabilities of the Scheme. The current strategy was set following written advice from the Trustee's investment advisers and the Trustee also consulted the employer regarding the change of strategy. The investment strategy is set out in the Scheme's SIP.

As at the 31 December 2023, the Scheme asset allocation was in the ranges of the interim strategy outlined in the SIP.

Performance to 31 December 2023

Scheme performance

The investment performance of the Scheme's investment managers over one-, three- and five-year periods up to 31 December 2023 is shown below:

	12 Months		**3 Years (p.a.)**		**5 Years (p.a.)**	
	Scheme	**Bench-mark**	**Scheme**	**Bench-mark**	**Scheme**	**Bench-mark**
L&G World Equity	16.9%	17.1%	9.7%	9.9%	12.7%	12.9%
L&G World Equity GBP Hedged	22.7%	22.8%	8.1%	8.3%	12.1%	12.3%
BlackRock UK Property	-3.2%	-1.4%	-6.3%	2.1%	-1.2%	1.3%
M&G Inflation Opportunities	0.3%	7.7%	-6.7%	11.2%	-1.5%	8.3%
Aon – Multi Asset Credit	8.9%	8.7%	-	-	-	-
Insight LDI Funds	-2.5%	-2.5%	-42.1%	-42.0%	-19.7%	-19.5%
Insight Liquidity Fund	4.7%	4.7%	2.0%	2.0%	1.5%	1.4%
L&G Cash	4.5%	4.7%	1.9%	2.0%	1.4%	1.4%
Total Scheme	**3.6%**	**4.2%**	**-12.0%**	**-11.6%**	**-2.8%**	**-2.8%**

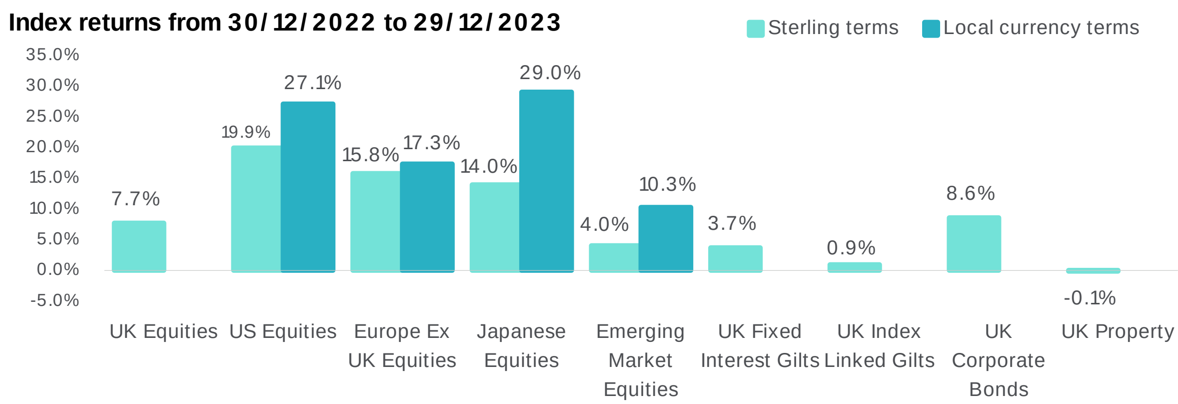
Source: Managers, Aon

Notes:
1. *One, three and five year returns have been provided for investments that have been in place for these periods.*
2. *All performance is shown in GBP, net of fees. Where net performance was reported by the fund manager, we have used it. Where gross performance was reported, an adjustment for fees has been made.*
3. *Total Scheme return (DB) is calculated by Aon. Total Scheme return (DB) includes performance of funds which are no longer invested in by the Scheme but were invested in during the period.*

Trustee's Report

Investment Matters (continued)

Scheme Market Commentary: 12 months to 29 December 2023



General Background

<u>Global equities</u>

Global equities generated positive returns over the last twelve months, rising sharply particularly over the first half (14.4%) and last quarter (9.5%) of 2023. The MSCI ACWI rose 22.2% in local terms in 2023. Inflation began to moderate in most major economies as the global economy proved more resilient than previously anticipated. The rally in Information Technology stocks (MSCI ACWI - IT 51.5%) was a major contributor to equity market gains in 2023, as investor excitement over artificial intelligence grew.

UK equities delivered positive returns over the year, rising by 7.7%. Comparatively lesser exposure to the technology sector, compared to its developed market peers, weighed on UK equities. Amongst major index heavy-weight sectors, Industrials, Financials and Energy rose by 32.4%, 17.2% and 10.8% respectively.

US equities performed strongly over the year, rising 27.1% in local currency terms. Following SVB's collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent history. Expectations for new revenue streams, driven by artificial intelligence, boosted optimism over the largest US technology stocks. Information Technology was the best performing sector with a return of 55.5%.

Overall, the Scheme's equities returned c.21.2% over the year performing largely in-line with the respective benchmarks.

Trustee's Report

Investment Matters (continued)

UK Government Bonds

In Q3 2023, Fitch downgraded the US debt rating from AAA to AA+, citing "erosion of governance" over the past two decades which saw the US government in repeated debt limit stand-offs and last-minute resolutions. In Q4 2023, following the election of Mike Johnson as the new Speaker of the House, the US Congress averted a government shutdown with lawmakers approving a short-term stop-gap funding bill to keep the government funded until early 2024. However, Moody's downgraded their US credit outlook from 'stable' to 'negative' amidst the lack of a permanent funding agreement and sharp rises in debt service costs as the drastic rise in Treasury yields this year "has increased pre-existing pressure on US debt affordability".

The UK gilt curve rose at shorter and longer maturities over the year whilst falling at medium maturities. In Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. In Q2 2023, the UK nominal gilt curve rose back up across all maturities with yields rising more at the short end of the curve relative to longer maturities. In Q3 2023, the UK nominal gilt curve fell at short to medium maturities but rose at the longer end of the curve. In Q4 2023, the UK nominal gilt curve shifted downwards over the quarter as yields fell sharply across maturities. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts rose by 3.7% and index-linked gilts rose by 0.9% over the last twelve months.

The Liability Driven Investment (LDI) portfolio managed by Insight returned c.-2.5% over the year. Longer period performance is more negative; the negative performance has principally been driven by the significant rise in gilt yields over 2022. This has meant that liabilities have fallen significantly in value and the LDI portfolio, which is designed to move in the same way as a proportion of the Scheme's liabilities, also fell significantly in value.

The UK credit market performed positively over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed by 46bps to 121bps. The index rose 8.6% over the year.

The Scheme's investment in the Aon multi asset credit ("MAC") fund is estimated to have returned 8.9% over the year outperforming its benchmark of 8.7%.

Currency

Sterling ended the twelve months 5.2% higher on a trade-weighted basis. Over the last year, the Bank of England (BoE) raised its benchmark interest rate cumulatively by 175bps to 5.25%. The Monetary Policy Committee indicated that interest rates would likely need to be kept high for an "extended period of time" and kept the option open for further rate rises "if there were evidence of more persistent inflationary pressures". The BoE agreed to increase its current quantitative tightening pace of £80bn to £100bn in 2023-24. Elsewhere, the BoE warned that British companies face a higher risk of corporate default as a result of rising interest rates. The share of non-financial UK companies experiencing debt servicing stress, characterized by a low earning-to-interest expense ratio (defined by the BoE as less than 2.5), will rise to 50% by the end of 2023, up from 45% in 2022.

Other asset classes

Brent crude oil prices fell by 10.3% to $77/BBL over the last twelve months. Meanwhile, Opec+ members announced voluntary oil production cuts until Q1 2024. Saudi Arabia pledged to extend an ongoing 1mn barrels per day (bpd) production cut whilst Russia will increase its export reduction from the current 300,000 bpd to 500,000 bpd. Opec+ aims for a total of 2mn bpd production cut with the help of other members.

Trustee's Report

Investment Matters (continued)

UK property

The MSCI UK property index returned -0.1% over the year as capital values depreciated, following sharply higher capitalisation rates over the last year. The income return was 5.7% but the 5.6% decrease in capital values offset this return. The industrial and retail sectors rose by 5.1% and 1% respectively while the office sector fell by 11.9%.

The Scheme's property holding returned -3.2% over the year underperforming its benchmark by 1.8%. The Trustee has submitted a redemption request from this fund, and the capital is expected to be returned in tranches over 2024. £2.9m was redeemed in Q1 2024.

Other Return Seeking Assets

The Scheme's inflation opportunities holding, managed by M&G, returned 0.3%, underperforming its RPI benchmark by 7.4% over the year. The fund has been temporarily suspended so the 31 March valuation is an estimate.

Defined Contribution section

The objective for the investment strategy of the DC Section of the Scheme is to provide members with an appropriate range of investment options depending on their retirement needs and appetite for risk.

15 individual funds are made available for members to invest in, covering a range of different asset classes and management styles. In addition to the 15 individual funds, members are also able to choose from three Lifecyle strategies. The Lifecyle strategies consist of an accumulation phase, a transition phase (beginning 15 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age). During the accumulation phase, the Lifecycle strategies invest in higher risk assets such as equities and diversified growth funds in order to give higher potential for growth. Over the transition phase and pre-retirement phase, the strategies gradually shift into lower risk assets in order to provide some protection to member's accumulated savings as they approach retirement.

The Multi-Asset Lifecyle Strategy is the primary default strategy for the DC Section of the Scheme which is designed to be suitable for those members who do not make investment decisions for themselves whilst providing maximum flexibility at retirement for members to take benefits as they choose, for example by transferring to a flexible income drawdown product.

An investment strategy review, including a review of the Multi-Asset Lifecycle Strategy (primary default arrangement), is undertaken at least every three years, or following any significant changes in the demographic profile of the Scheme members, which is in line with the Regulatory requirements.

The last full investment strategy review, which included a review of the primary default arrangement, for the Scheme was completed on 28 November 2022. The review analysed the membership profile of the Scheme and took into account factors such as age, salary, contribution level, accumulated fund values and term to retirement to identify different types of members in order to test alternative investment strategies. The analysis included multiple simulations of future economic and investment scenarios, and considered the various options members have regarding the way in which they draw their benefits in retirement. The Trustee took advice from its DC investment consultants, Aon, on all these aspects.

Investment risk disclosures for both sections

Investment risks are disclosed in note 18 to the financial statements on pages 80 to 85.

Implementation Statement

Allen & Overy Pension Scheme ("IS")

Scheme Year End – 31 December 2023

The purpose of the Implementation Statement is for us, the Trustee of the Allen & Overy Pension Scheme, to explain what we have done during the year ending 31 December 2023 to achieve our policies and objectives as set out in the DB and DC Statements of Investment Principles ("SIPs").

It includes:

1. A summary of any review and changes made to the SIPs over the year
2. How our policies in the SIPs have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIPs have been implemented effectively.

In our view, most of the Scheme's material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations and policies as set out in the SIPs.

Where managers have been unable to provide the requested information, we are engaging with these managers to set expectations regarding the provision of this data in the future and encourage improvement in future reporting.

Managers who have been unable to provide any information will be the first priority, followed by those who have only been able to provide partial information e.g., engagement information only at a firm level rather than fund-specific engagements.

1.Changes to the SIPs during the year

We have separate Statements of Investment Principles for the DB and DC Sections of the Scheme.

For the DB Section, we undertake a review of the SIP at least annually with support from our investment consultant.

The DB section was updated in Q4 2023 following the successful implementation of the updated investment strategy agreed as a part of the 2023 strategy review.

For the DC Section, our policy is to review the SIP at least every three years, or without delay after any significant change in investment policy or member demographics.

We updated the DC Section SIP on 12 May 2022 to reflect the various investment changes that were implemented to the lifecycle strategies on 10 November 2021. Further information on the specific changes made to each lifecycle strategy can be found in the annual Chair's Statement located here along with the Scheme's latest SIPs: https://www.myallenoverypension.com/library/AOLibMemComm.asp

2. How the policies in the SIPs have been followed

In the table below we set out what we have done during the year to implement our policies and achieve our objectives as set out in the DB and DC sections' SIPs.

A. DB Section

i: Strategy	The current investment strategy as set out in the SIP was agreed with the Trustee following a detailed review and advice from our investment consultant, Aon, and following a subsequent consultation with the Employer regarding a change in investment strategy due to divergence from the strategic asset allocation as explained below. In Q2 of 2023, a strategy review was carried out to realign the strategy towards the Scheme's long-term goals following the gilt market volatility. The aims of the review were to restore expected return as far as possible whilst reducing risk and improving the efficiency of the portfolio. However due to the property mandate being gated, the strategic portfolio could not be implemented immediately, resulting in the need for an interim portfolio appropriate for the short term. We had consulted with the Employer regarding the changes in investment strategy. In early Q4 2023, the first step towards implementing the updated investment strategy was completed. The first phase was rebalancing the asset allocation with the net redemption proceeds being utilised to invest into Insight High Grade Asset Backed Securities (ABS) Fund, given our advisor's positive outlook on ABS. This was completed in October 2023. The second phase, which requires receiving the full redemption from the BlackRock property mandate (which is gated), is scheduled throughout 2024 and involves adding further funds into the Insight ABS fund in addition to adding liquid diversifiers into the portfolio, to enhance both diversification and efficiency in the portfolio.
ii: Implementation and ongoing monitoring	We appointed Aon as our investment consultant in relation to the funds within the Defined Benefit Section. We have a number of direct investments in pooled funds managed by the investment managers. Aon provides formal advice on the suitability of the direct investments, Section 36 of the Pensions Act 1995, ahead of investment and provides ongoing monitoring of the suitability. Investment monitoring takes place on a quarterly basis with monitoring reports being provided to us by our investment consultant, Aon. We receive these reports on a quarterly basis which monitor the performance, strategic asset allocation and risk management of the Scheme's investments. The report includes: ▪ Absolute performance and performance relative to the benchmark over the quarter, one year and three-year periods; ▪ Asset allocation relative to the strategic asset allocation; ▪ An overview of Aon's ratings of the investments and detailed commentary for any major developments; and ▪ Economic market review and outlook.
iii: Risk	Please refer to "Implementation and ongoing monitoring" for further details on how risks within the Scheme are monitored and reported. In addition to the regular monitoring, we review the risk within the investment strategy as part of the investment strategy review carried out triennially alongside the actuarial valuation.

Trustee's Report

Implementation Statement (continued)

iv: Arrangements with asset managers	We are supported by Aon in monitoring the activity of Scheme investments. As noted in "Implementation and ongoing monitoring", we receive investment monitoring reports on a quarterly basis, which include Aon's ratings of the investments and include ESG ratings for each manager when available. Aon's Investment Manager Research ("IMR") Team is responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects on the manager's alignment with Trustee policies generally, for example, whether the manager is expected to achieve its performance objective and a review of its approach to ESG issues. IMR meets with each of buy rated managers on a quarterly basis to receive an update on the portfolio, performance and any major developments. Following discussions with the manager, IMR reviews each sub-component rating and overall rating. In addition to regular monitoring, IMR performs a deep dive review of every buy rated manager triennially. It also meets with managers on an ad-hoc basis if there are significant changes to any monitoring points which raise concern (changes to investment team, poor performance, etc.). Although IMR does not rate the Aon Sustainable Multi-Asset Credit Fund, it rates the underlying managers in the Fund.
V : Cost transparency	We are in the process of gathering the cost information of our investments to provide a consolidated summary of all the investment costs incurred for the investments over 2023 which will be compared with data from 2022. This will include a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. This disclosure was produced in line with the requirements of the Competition and Markets Authority on fiduciary management cost disclosures. We will receive and review this report on an annual basis. The 2023 report is scheduled to be discussed at the Q2 2024 meeting.

B. DC/AVC Section

The Defined Contribution ('DC') section of the Scheme invests via an insurance policy held on the UK Institutional Trustee Investment Plan investment platform that is managed by abrdn (formerly Aberdeen Standard Investment).

Legacy additional voluntary contribution (AVC) arrangements are also held. These were set up for members of the Defined Benefit section to pay AVCs. Unit-linked funds are invested in the same policy as the DC Section of the Scheme with abrdn. The Trustee holds separate with-profits arrangements that are managed by Prudential and Aviva. The AVC arrangements are now all "Closed" policies. Members who opted to transfer from the DB Section to the DC Section can still choose to invest in the Prudential and abrdn investment vehicles.

The DC Section is used as a Qualifying Scheme for auto-enrolment purposes and has both a primary and secondary default arrangement:

- **Primary default arrangement**: The Multi-Asset Lifecycle Strategy is for members who join the DC Section of the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in this strategy.
- **Secondary default arrangement**: The Standard Life Deposit and Treasury Pension Fund was designated a secondary arrangement in April 2020, following the temporary suspension of Standard Life Pooled Property Pension Fund due to the Covid-19 pandemic. The temporary suspension of the Property Fund prevented members' contributions from being paid into it. Members who were impacted by this and did not select an alternative fund had their contributions redirected to the Standard Life Deposit and Treasury Pension Fund by the Trustee.

Further information about the primary and secondary default arrangements can be found in the Chair's Statement.

We apply the policies set out in the SIP to all default arrangements.

i: Implementing and Monitoring a suitable Investment strategy	Members have the opportunity to place their DC investments in either a lifecycle strategy or into a range of individual funds available via a self-select arrangement. We have made three lifecycle strategies available to members – the Multi-Asset Lifecycle Strategy (the primary default arrangement), the Annuity Lifecycle Strategy and the Cash Lifecycle Strategy. Members who choose to invest their DC pension contributions into the self-select arrangement are able to choose from a range of funds that cover a number of different asset classes, enabling members to construct a portfolio to meet their individual investment objectives and constraints. During the Scheme year to 31 December 2023, we made 13 self-select funds available to members. The Standard Life Pooled Property Pension Fund and the Liontrust UK Equity Fund are also available to existing members invested in these funds but they are closed to new investments. Further information about the investment arrangements available to DC Section members can be found in the annual Chair's Statement. Over the course of the Scheme year, we monitored the individual funds that are offered through the DC Section against their respective benchmarks and performance objectives via quarterly investment monitoring reports received from the Scheme's DC investment consultants (Aon). These reports include information on both the short and long-term performance of each fund relative to their objective as well as a red, amber or green ('RAG') status to indicate whether funds were delivering in line with their objectives. A number of the active and passive managed funds that are used by the DC Section are also monitored by Aon's Investment Manager Research ("IMR") team on a quarterly basis. We will be notified by Aon should any of the monitored funds be impacted by any material events or if the overall ratings assigned to the monitored funds are changed by the IMR team. Over the course of the Scheme year to 31 December 2023, we were notified of the following by Aon: • The Vanguard passive equity strategies have moved to buy rated after not previously being rated. It was noted that Vanguard has demonstrated an ability to provide a broad platform of passive equity products which closely track their respective indexes. The large size of the manager's passively managed equity assets and its unique ownership structure allow Vanguard to minimize costs and offer its index funds at attractive prices. Aon noted they believe Vanguard is among the best in class within the passive equity manager universe. In addition to the quarterly investment monitoring reports, we also undertake an in-depth review of the Scheme's investment strategy at least every three years. The most recent investment strategy review was completed on 28 November 2022.
ii: Ensuring reasonable costs and charges	Over the year to 31 December, we have established a separate, in-depth cost-benefit analysis framework for the DC Section in order to assess whether the Scheme provides good value for members. The outcome of this assessment is reported in a separate document, a summary of which can be found in the annual Chair's Statement. The analysis includes consideration of both explicit and implicit charges and a comparison versus costs in the wider market as well as wider benefits DC members receive through the Scheme. The latest assessment, which was completed for the period to 30 September 2023, concluded that both the primary and secondary default arrangements were well below the charge cap of 0.75% p.a., and that the charges associated with the

	investment options available through the DC Section offered good value for members. The analysis concluded that the charges on the Aviva and Prudential AVC arrangements were in line with other similar legacy arrangements but higher than the funds offered in the DC Section of the Scheme and provided reasonable value for members.
iii: Reviewing investment consultant's performance	Since 1 October 2022, we have been legally required to assess the performance of our investment consultants against objectives at least every 12 months. Additionally, the objectives themselves must be reviewed at least every three years or without delay after any significant change in investment policy. Compliance with these requirements is monitored by the Pension Regulator via the Scheme Return. During the Scheme year, we deem our DC investment consultants to have performed in line with our expectations and needs. We reviewed the investment consultant objectives on 23 June 2022 and agreed that the objectives set remain appropriate. The objectives are due to be reviewed again by 23 June 2025.
iv: Risk	Please refer to section 2.B.i "Implementing and Monitoring a suitable Investment strategy" above for further details on how risks within the Investment Strategy are monitored and reported. In addition to the regular monitoring, we review the risks within the investment strategy as part of the triennial Investment Strategy Review. Following a period of heightened volatility, we considered the impact of the market on members' returns at different stages to retirement. We undertook an exercise of writing to members at different stages of their pension savings journey to inform them of market conditions, their investment strategy, and the impact of market conditions on the investment strategy. Members were encouraged to assess whether their selected investment decision continued to align with their retirement objectives.

C. Joint DB and DC/AVC Policies

Some policies and objectives that we have in place are consistent across the Scheme's DB and DC Section SIPs. This predominantly relates to policies and objectives on Responsible Investment.

i: Responsible Investment – Financially Material Considerations	We recognise that environmental, social and governance ("ESG") risk factors, including climate change may negatively impact the value of investments held if not fully understood and evaluated properly. In order to take these risks into account, we reviewed ESG ratings for the funds used by the Scheme as part of the quarterly investment monitoring reports received over the Scheme year for both the DB and DC Sections of the Scheme. The ESG ratings focus on a set of principles and whether the fund manager's overarching approach has successfully integrated ESG factors within those principles. For the DB section of the Scheme, manager selection relies on the ESG ratings provided by the Investment Consultant and its research team who provides ratings for managers. For the DC Section of the Scheme, we agreed our investment consultant's recommendation to add the abrdn Sustainable Index Fund to the self-select arrangement once an insured version of the fund becomes available on the investment platform used by the Scheme. We have incorporated ESG-related risks, including climate change, into the Scheme's risk register as part of ongoing risk assessment and monitoring.

Implementation Statement (continued)

ii: Responsible Investment – Stewardship (Voting and Engagement)	With the help of our investment consultants, we have collated and reviewed the voting and engagement activity of each individual fund manager over the course of the Scheme year as part of the production of the annual Implementation Statement. Details of this review can be found in Section 3 of this Statement.
iii: Responsible Investment – Members' views and Non-Financial Factors	For the DB Section, in setting and implementing the Scheme's investment strategy we do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"). We believe that the DC Section has provided a range of investment options that enable members to construct a portfolio that satisfies their investment objectives and constraints based on analysis of the Scheme's membership profile (further information given in Section 2.B.i "Implementing and Monitoring a suitable Investment strategy" above). Regarding member views on ESG matters (including non-financially material considerations), our policy is to give due consideration to any member feedback received.

3. Stewardship and the exercise of our voting rights

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 December 2023.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Section		Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	LGIM World Equity Index Fund	37,810	99.9%	20.9%	0.1%
DC	Ninety One Global Multi-Asset Sustainable Growth Pension Fund	1,061	99.8%	7.3%	0.0%
DC	Schroders Intermediated Diversified Growth Pension Fund*	14,227	93.8%	11.0%	0.4%
DC	Veritas Global Focus Pension Fund*	499	96.8%	10.1%	0.2%
DC	Vanguard FTSE UK All Share Index Pension Fund*	10,235	99.6%	0.7%	0.0%
DC	Standard Life Overseas Tracker Pension Fund	*Not provided*			
DC	Standard Life Global Equity 50:50 Tracker Pension Fund	*Not provided*			

Source: Managers. The Scheme invests via an insurance policy held on the UK Institutional Trustee Investment Plan investment platform that is managed by abrdn (formerly Aberdeen Standard Life Investment).

**The voting statistics provided by Schroders, Veritas and Vanguard suggest that abstained votes are being counted as votes against management resulting in double counting within the voting statistics. The sum of 'Votes supporting Management', 'Votes against Management' and 'Votes abstained' adds up to more than 100%.*

Implementation Statement (continued)

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting adviser(s) *(in the managers' own words)*
Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
Ninety One	We make use of the ISS Proxy Exchange research service for all voting. ISS provide us with research recommendations and recommendations based on our internal voting policy. We consider and discuss this with the investment teams that hold the issuer to make a decision in the best interest of the shareholders (which may differ from ISS & management recommendations). We cast our vote via the ISS voting platform.
Schroder Investment Management ("Schroders")	Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines. In addition, we receive ISS's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.
Veritas Asset Management ("VAM")	VAM LLP has appointed, Institutional Shareholder Services ("ISS"), for vote execution and policy application.
Vanguard	Vanguard Investment Stewardship utilizes the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of our votes. We have developed a robust custom policy that ISS has implemented on our behalf along with rigorous controls and oversight mechanisms to ensure the accurate application of the Vanguard policy.
Standard Life	*Not provided*

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix on page 24.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
DB	LGIM World Equity Index Fund (Currency Hedged and Unhedged)	734	*Not provided*	Environment - Climate Impact Pledge; Climate Change Governance - Remuneration; Board Composition Other - Corporate Strategy
DB	BlackRock UK Property Fund	*Not provided, the manager stated that the Fund does not hold publicly listed securities, hence they do not produce engagement report*		
DC	Ninety One Global Multi-Asset Sustainable Growth Pension Fund	63	463	Environment - Climate change Social - Supply chain management, Conduct and culture Governance - Board diversity, skills and experience, Cultural work practices, Remuneration Strategy, Risk and Communication - Corporate strategy, risk management
DC	Schroders Intermediated Diversified Growth Pension Fund	1,402	6,724	Environment - Climate alignment – decarbonising and minimising emissions, Climate risk and oversight, Nature-related risk and management, Deforestation Social - Corporate culture and oversight of human capital Governance - Executive remuneration, Boards and management Other - Purpose, strategy and capital allocation
DC	Veritas Global Focus Pension Fund	9	24	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Leadership – Chair/CEO Strategy, Financial and Reporting - Capital allocation
DC	Vanguard FTSE UK All Share Index Pension Fund	*Not provided*		
DC	Standard Life Global Equity 50:50 Tracker Pension Fund	*Not provided*		
DC	Standard Life Overseas Tracker Pension Fund	*Not provided*		
DC	Standard Life Corporate Bond Fund	*Not provided*		
DC	Standard Life Index Linked Bond Pension Fund	*Not provided*		

Source: Managers

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Standard Life did not provide any information requested.
- Vanguard did not provide any engagement information requested.
- LGIM did provide fund level engagement information but not in the industry standard Investment Consultants Sustainability Working Group ("ICSWG") template. Additionally, the manager did not provide any firm level engagement information.

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below

LGIM World Equity Index	**Company name**	Amazon.com, Inc.
	Date of vote	24-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.6
	Summary of the resolution	Report on Median and Adjusted Gender/Racial Pay Gaps
	How you voted	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.
	Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
	On which criteria have you assessed this vote to be "most significant"?	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
LGIM World Equity Index	**Company name**	Microsoft Corporation
	Date of vote	07-Dec-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.7
	Summary of the resolution	Elect Director Satya Nadella
	How you voted	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.

	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.
Ninety One Global Multi-Asset Sustainable Growth Pension Fund	**Company name**	Schneider Electric SE
	Date of vote	04-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	*Not provided*
	Summary of the resolution	Approve Company's Climate Transition Plan
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Voted in line with management.
	Rationale for the voting decision	A vote FOR is warranted as the company has set targets by 2030 and 2050 to achieve Net-Zero on a 1.5C trajectory validated by SBTi with intermediary checkpoints and as the disclosure framework and content are in line with market practices.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*
	On which criteria have you assessed this vote to be "most significant"?	ESG - Environmental
Schroder Intermediated Diversified Growth Pension Fund	**Company name**	Microsoft Corporation
	Date of vote	07-Dec-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.8%
	Summary of the resolution	Report on Risks of Operating in Countries with Significant Human Rights Concerns
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We may tell the company of our intention to vote against the recommendations of the board before voting, in particular if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
	Rationale for the voting decision	Shareholders would benefit from further disclosure on how the company mitigates risks in markets in which it operates where there are significant human rights concerns. We believe how we have voted is in the best financial interests of our clients' investments.

	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing or intensifying an engagement. As part of this activity we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.
	On which criteria have you assessed this vote to be "most significant"?	Social
Veritas Global Focus Pension Fund	**Company name**	Alphabet Inc.
	Date of vote	02-Jun-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	6.5%
	Summary of the resolution	Amend Omnibus Stock Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Based on an evaluation of the estimated cost, plan features, and grant practices using the Equity Plan Scorecard (EPSC), a vote AGAINST this proposal is warranted due to the following key factor(s): - The plan cost is excessive - The three-year average burn rate is excessive - The disclosure of change-in-control ("CIC") vesting treatment is incomplete (or is otherwise considered discretionary) - The plan permits liberal recycling of shares - The plan allows broad discretion to accelerate vesting.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	None to report
	On which criteria have you assessed this vote to be "most significant"?	Votes against management
Vanguard FTSE UK All Share Index Pension Fund	**Company name**	BP Plc
	Date of vote	27-Apr-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	*Not provided*
	Summary of the resolution	Approve Shareholder Resolution on Climate Change Targets
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	*Not provided*

	Rationale for the voting decision	Determined the proposal addressed material risk(s) and company had taken sufficient actions and/or had related actions pending to address the proponent request.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*
	On which criteria have you assessed this vote to be "most significant"?	*Not provided*

Source: Managers

Statement of Trustee's Responsibilities

The 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 also 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.

The Trustee is also responsible for the maintenance and integrity of the myallenoverypension website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The 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 schedules 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.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every UK pension scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its "technical provisions". The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustee and Allen & Overy LLP ("the Employer") and set out in a statement of funding principles, which is available to pension scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 1 January 2023. This showed that on that date:

The value of the technical provisions was:	£166.4 million
The value of the assets was:	£171.8 million
The funding surplus was:	£5.4 million
The funding ratio was:	103%

The assets and technical provisions above comprise only those in the Defined Benefit Section of the Scheme excluding additional voluntary contributions.

The actuarial valuation of the Scheme as at 1 January 2023 was carried out by Darren Charles FIA, and the Scheme Actuary's report was published on 30 November 2023.

The Scheme Actuary also estimated that as at 1 January 2023, the assets were sufficient to buy-out 87% of total benefits with an insurance company, if the Scheme were wound-up with no further funding from the Employer. In practice, the Scheme continues to be run on an ongoing basis and there is no reason to expect that it will be wound-up.

The Scheme Actuary has carried out approximate calculations as at 1 January 2024, which showed an estimated funding surplus of £10.0 million and a funding ratio of 106%. This improvement has been due to asset outperformance relative to the liabilities.

As part of the most recent actuarial valuation, the Trustee determined and agreed with the Employer the assumptions to be used to calculate the technical provisions. The technical provisions are calculated on the basis that the Scheme will continue in its present form. They are based on assumptions about various factors that will influence the Scheme in the future, such as investment returns (reflected in the "discount rate"), salary and pension increases and how long members will live.

The method used to value benefits was the projected unit method.

The main financial assumptions as at 1 January 2023 underlying the valuation calculations were:

Discount rate	Gilt yields plus 0.5% p.a.
RPI inflation	Derived from the difference between yields on fixed-interest and index-linked gilts
Rate of salary increases	RPI inflation
CPI inflation	RPI inflation less the best estimate of the difference between RPI and CPI inflation (which was 1.0% p.a. up to 2030 and 0.1% p.a. thereafter at the latest valuation date)

Trustee's Report

Report on Actuarial Liabilities (continued)

Rate of pension increases	Pensions earned before 23 September 1996: RPI inflation Pensions earned after 23 September 1996: CPI inflation capped at 5% p.a.
Rate of deferred revaluations	Based on CPI inflation

The other key assumption is life expectancy. Based on the assumptions adopted as at 1 January 2023, a 65 year old pensioner is assumed on average to live to 88.3 (males) or 89.8 (females).

Following the 1 January 2023 actuarial valuation, it was agreed that the Employer would pay:

- Expenses of running the Scheme
- Insurance premiums
- Such levies required by the Pension Protection Fund
- The cost of any augmentations to benefits
- Contributions for defined contribution (DC) members as required under the Rules plus 0.550% of Pensionable Salaries for spouse's death-in-service pensions (effective from 1 December 2023)

No deficit reduction contributions are required as the Scheme was in surplus at 1 January 2023.

A Schedule of Contributions reflecting these agreed contributions dated 30 November 2023 has been adopted by the Trustee and the Employer, and the Actuary's certification of this schedule is shown on page 61.

The Scheme Actuary carries out a full actuarial valuation, including a review of Employer contributions, at least every three years. The effective date of the next scheduled valuation is 1 January 2026.

Summary of Contributions

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 20 July 2020 and 30 November 2023 in respect of the Scheme year ended 31 December 2023. The Scheme's Auditors' report on contributions payable under the Schedule is in the Auditors' Statement about Contributions on page 65.

	DB Section £000	DC Section £000	Total £000
Contributions payable under the Schedules of Contributions in respect of the Scheme year:			
Employer normal contributions	**-**	**16,308**	**16,308**
Employee normal contributions	**-**	**6,277**	**6,277**
Contributions payable under the Schedules (as reported on by the Scheme's auditors)	**-**	**22,585**	**22,585**
Contributions payable in addition to those due under the Schedules of Contributions (and not reported on by the Scheme's Auditors):			
Employer death benefit contributions	**1,189**	**-**	**1,189**
Employer bonus salary sacrifice contributions	**-**	**1,586**	**1,586**
Employee additional voluntary contributions	**11**	**-**	**11**
Employee additional voluntary contributions	**-**	**2,315**	**2,315**
Total contributions not reported on under the Schedule of Contributions	**1,200**	**3,901**	**5,101**
Total contributions included in the financial statements	**1,200**	**26,486**	**27,686**

Compliance Matters

The information deals with matters of administrative routine.

Transfer Values

Cash equivalents paid during the Scheme year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Taxation

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

Problems and Complaints

To comply with the requirements of the Pensions Act 1995, the Trustee maintains a formal Internal Dispute Resolution Procedure. Scheme members and beneficiaries can take advantage of the procedure if they wish to complain about maladministration or dispute a question of fact or law relating to the Scheme. Details of the procedure can be obtained from Capita Pension Solutions Limited at the address shown on page 2 of the Annual Report.

MoneyHelper

MoneyHelper (formerly The Money and Pensions Service (MaPs)) was created in 2019 as a single body providing information to the public on matters relating to workplace and personal pensions.

Telephone: 0800 011 3797

Email: pensions.enquiries@moneyhelper.org.uk

Website: https://www.moneyhelper.org.ukclimate

Pensions Regulator

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

The Pensions Regulator may be contacted at:

Telecom House

125-135 Preston Road

Brighton

BN1 6AF

Telephone: 0345 600 7060

www.thepensionsregulator.gov.uk

Pension Tracing

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

Telephone: 0800 731 0193

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

Trustee's Report

Compliance Matters (continued)

Pensions Ombudsman

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

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

or Email: enquiries@pensions-ombudsman.org.uk

Telephone: 0800 917 4487

Related Party Transactions

The Principal Employer has paid the majority of the costs of administering the Scheme for the year, and also premiums in respect of Death-in-Service benefits.

Further details of related party transactions are given in note 22 to the financial statements.

Contact for Further Information

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

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

Tel: 01227 771445

Email: AllenOvery@capita.co.uk

Approval

The Trustee's Report, including the Summary of Contributions, was approved by the Trustee and signed on its behalf by:

Date:

....

Trustee Director

DC Governance Statement

Annual statement regarding governance of the DC Section of the Allen & Overy Pension Scheme

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance and include this in the Trustee report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 January 2023 to 31 December 2023 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement(s)
2. Net investment returns
3. Member borne charges and transaction costs:
   i. Default arrangement
   ii. Self-select funds
   iii. Additional Voluntary Contributions
   iv. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

The Scheme's DC funds are made up of the funds held in the DC Section (which include the Additional Voluntary Contributions ("AVCs") members of the DB Section paid to unit-linked funds), and the AVC policies held with Prudential and Aviva.

1. The default arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

The DC Section is used as a Qualifying Scheme for auto-enrolment purposes and has both a primary and secondary default arrangement.

- **Primary default arrangement:** The Multi-Asset Lifecycle Strategy is for members who do not choose an investment option for their contributions. Members can also choose to invest in this strategy on a self-select basis.
- **Secondary default arrangement:** The temporary suspension of trading in the Standard Life Pooled Property Pension Fund, due to the impact of the Covid-19 pandemic, prevented members' contributions from being paid into the Fund. These contributions were temporarily diverted to the Standard Life Deposit and Treasury Pension Fund. As a result, the Deposit and Treasury Pension Fund was designated a secondary default arrangement in March 2020.

More details regarding the primary and secondary default arrangements can be found in the sections that follow.

DC Governance Statement (continued)

1. The default arrangement (continued)

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the DC Section's default arrangements (the Multi-Asset Lifecycle Strategy and the Deposit and Treasury Pension Fund)..

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The SIP covering the DC Section of the Scheme, which has been prepared in accordance with regulation 2A of the Investment Regulations 2005,

dated 12 May 2022, is attached to this statement and can also be viewed here:

https://www.myallenoverypension.com/Library/AOLibMemComm.asp

The aims of the SIP are also set out here for ease of reference:

- The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Multi-Asset Lifecycle strategy as the primary default arrangement for the Scheme.
- In designing the default strategies for DC Section members, the Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages of the strategy following an analysis of the membership.
- The aim of the Multi-Asset Lifecycle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility and provide access to a broad base of assets from which members can choose the type of benefits they wish to take.
- Assets in the Multi-Asset Lifecycle strategy are invested in a manner which aims to ensure the security, liquidity and profitability of a member's portfolio as a whole and are invested in regulated products and mainly on regulated markets (any that are not will be kept to prudent levels).

Primary Default Arrangement – The Multi-Asset Lifecyle Strategy

The Multi-Asset Lifecyle Strategy is suitable for members who do not choose to take an active role in managing their investment options. However, members that do take an active role with managing their investment options can select this strategy, should it align with their investment and retirement objectives.

The Multi-Asset Lifecycle Strategy invests in several underlying funds and automatically changes the funds members are invested in as they approach retirement. This approach aims to maximise the growth potential of investments in the early years and reduce investment risk (by investing across a broader range of asset classes) the closer members get to retirement. The Multi-Asset Lifecyle strategy comprises three phases:

- **Accumulation phase**: this phase is the period leading up to 15 years before retirement. It aims to provide members with the potential for long-term capital growth by investing in higher risk assets, such as equities. It is assumed that in this phase, members have a greater capacity for risk as they have more time to recover from changes in the value of their retirement savings that may be caused by short-term market volatility.
- **Transition phase**: In this phase, the aim is to reduce investment risk in the lead-up to retirement. Between 15 and 10 years prior to retirement, allocations to lower risk assets, such as multi-asset funds, are gradually introduced and this is achieved by reducing the allocation to equities. Between 10 and 5 years prior to retirement, allocations to government and corporate bonds are introduced. This is achieved by reducing the allocations to equities and multi-asset funds.

1. The default arrangement (continued)

Primary Default Arrangement – The Multi-Asset Lifecyle Strategy (continued)

- **Pre-retirement phase**: Starting at 5 years to retirement, this phase aims to further reduce risk and to ensure the strategy is invested in a mix of assets at retirement broadly appropriate for members to use an income drawdown approach in retirement (noting that drawdown is not offered through the Scheme so this would involve a member transferring their funds to an external arrangement at retirement).

Secondary default arrangement – Standard Life Deposit and Treasury Pension Fund

The Standard Life Deposit and Treasury Pension Fund became a secondary default arrangement in March 2020. This was as a result of trading in the Standard Life Pooled Property Pension Fund being temporarily suspended due to the fund manager being unable to obtain accurate valuations of the Fund's holdings during the Covid-19 pandemic. Unless members gave alternative instructions, contributions that would have otherwise been invested in the Standard Life Pooled Property Pension Fund were re-directed to the Standard Life Deposit and Treasury Pension Fund

The main aim of the Standard Life Deposit & Treasury Pension Fund is to maintain capital and provide returns (before charges) in line with short term money market rates by investing in deposits and short-term money market instruments.

The Trustee believed that the Standard Life Deposit and Treasury Pension Fund was an appropriate investment option in which to temporarily hold contributions intended for the Standard Life Pooled Property Pension Fund as it has historically experienced low levels of volatility and was deemed to be a suitable option to protect the value of members' contributions on a short-term basis.

The Standard Life Pooled Property Fund's suspension was lifted in September 2020. The affected members were notified of this and informed that they could choose to redirect their future contributions and any retirement savings accrued during the period of suspension back to the Standard Life Pooled Property Fund.

Investment strategy review

The Trustee is required by regulations to carry out an Investment Strategy Review, which includes formally reviewing the suitability of the primary and secondary default arrangements, at least every three years or following any significant changes in the demographic profile of the Scheme's DC Section members.

The default arrangement was not formally reviewed during the period covered by this statement.

The last review was completed on the 28 November 2022. The review considered suitability of the default arrangement and other fund options with reference to the membership demographics and how members access their benefits, as well as industry data and wider trends. This assessment was made by considering:

- Analysis of the membership profile of the DC Section, which also considered the suitability of the primary and secondary default arrangements;
- Retirement adequacy analysis, which highlighted the proportion of members that would likely retire with a sufficient pension pot to achieve their desired standard of living throughout retirement as well as how alterations to member contributions and retirement ages would impact the statistics;
- A critical review of the current investment strategy used by the DC Section, with the Trustee's investment consultants providing recommendations that could improve potential returns for members over the long-term based on in-house modelling and assumptions. The Trustee's investment consultants also highlighted a number of limitations associated with the current DC pension provider.

DC Governance Statement (continued)

1. The default arrangement (continued)

Investment strategy review (continued)

Following the review, the Trustee acknowledged the information and recommendations put forward by its investment consultants. However, any decisions on changes to the investment strategy were deferred by the Trustee, pending the outcome of ongoing discussions with its advisers and the Firm about potential changes to the DC pension structure and provider.

The Trustee has agreed to undertake a formal review of the investment strategy following the conclusion of the DC Provision Project.

Performance Monitoring

The Trustee, with support from its investment consultant, also carries out regular investment monitoring. The performance of all funds is incorporated into quarterly monitoring reports that are produced by the Trustee's investment consultants. These reports are then reviewed by the Trustee at each quarterly meeting.

This performance monitoring includes an assessment of fund performance against stated benchmarks and targets over various periods, as well as a red-amber-green rating system to help identify any concerns. Over the course of the Scheme year, there were no changes made to the funds as a result of this monitoring.

Specified performance based-fees

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the member's rights under the Scheme, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

During the Scheme Year this fee has been calculated to be 0%, expressed as a percentage of the average value of the default arrangement assets over the same period. This is because the platform provider does not charge performance-based fees and only charges the Total Expense Ratio ("TER") which is discussed further in section 3.

Default arrangement asset allocation

The Trustee is required to disclose the full asset allocations of investments for the Multi-Asset Lifecycle Strategy and the SL Deposit & Treasury Fund. The table below shows the percentage of assets allocated in each default arrangement to specified asset classes over the year to 31December 2023.

The specified asset classes are:

Average asset allocation over year to 31 December 2023 (%)				
Multi-Asset Lifecycle Strategy				
Asset class	25 years old	45 years old	55 years old	NRA (65 years old)
Cash	0.0	0.0	8.6	4.6
Bonds	0.0	0.0	13.0	58.0
Listed equities	100.0	100.0	71.2	34.9
Private equities	0.0	0.0	0.4	0.1
Infrastructure	0.0	0.0	0.0	0.0
Property	0.0	0.0	0.9	0.3
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	5.9	2.1

DC Governance Statement (continued)

1. The default arrangement (continued)

Default arrangement asset allocation (continued)

Average asset allocation over year to 31 December 2023 (%)				
SL Deposit & Treasury Fund				
Cash	100.0	100.0	100.0	100.0
Bonds	0.0	0.0	0.0	65
Listed equities	0.0	0.0	0.0	65
Private equity	0.0	0.0	0.0	65
Infrastructure	0.0	0.0	0.0	65
Property	0.0	0.0	0.0	65
Private debt	0.0	0.0	0.0	65
Other	0.0	0.0	0.0	65

2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the investment returns on funds minus all member borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance. The guidance states that net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period for arrangements where the net returns vary with age.

The net investment returns for the Lifecycle Strategies and the self-select funds across a 1-year and 5-year reporting period as at 31 December 2023, are shown in the tables below.

It is important to note that past performance is not a guide to future performance.

(i) *Multi-Asset Lifecycle Strategy (the primary default arrangement)*

The Trustee, with the support of its investment consultants, implemented a number of changes to the underlying component funds that make up the Multi-Asset Lifecycle Strategy in November 2021. As such, performance shown over the five-year period incorporates these changes to the stated performance.

Performance to 31 December 2023	Annualised net returns (% p.a.)	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers

Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. The retirement age assumed is 65, which is line with the retirement age selected by the majority of members.

2. Net investment returns (continued)

(i) *Multi-Asset Lifecycle Strategy (the primary default arrangement) (continued)*

All members experienced a positive net return over the 1-year and 5-year reporting periods, as financial markets have seen some recovery in 2023 following a difficult year in 2022. Members closer to retirement experienced lower returns than those further from retirement across both reporting periods. This is to be expected, given that a proportion of members' assets transition to "lower risk" assets, primarily fixed income, as retirement approaches. The mix of assets includes multi-asset funds as well as corporate and government bond funds, which are expected to generate lower returns than equities over the long-term given their lower risk profile.

Standard Life Deposit and Treasury Pension Fund (the secondary default arrangement)

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund Name	**1 year**	**5 years**
Standard Life Deposit and Treasury Pension Fund	4.6	1.3

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year.

The Standard Life Deposit and Treasury Pension Fund generated a positive net investment return across both the one year and five year reporting periods.

The rise in interest rates across most developed nations has been beneficial for the Standard Life Deposit and Treasury Pension Fund over the 1-year period. The lower net investment return achieved over the 5-year reporting period reflects the low returns associated with investing in money-market instruments across a period when interest rates for many developed nations were much lower.

Annuity Lifecycle strategy

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. Theretirement age shown in this table is 65, which is line with the retirement age selected by the majority of members.

DC Governance Statement (continued)

2. Net investment returns (continued)

(i) *Multi-Asset Lifecycle Strategy (the primary default arrangement) (continued)*

Cash Lifecycle Strategy

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. The
retirement age shown in this table is 65, which is line with the retirement age selected by the majority of members.

As members are invested in the same underlying funds until 5 years from their nominated retirement date, the returns for the Annuity Lifecycle Strategy and the Cash Lifecycle Strategy are the same as the Multi-Asset Lifecycle Strategy across the 3 age ranges. Therefore, please refer to the Multi- Asset Lifecycle Fund commentary above.

(ii) Self-select investment funds

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund Name	**1 year**	**5 years**
SL Veritas Global Focus Pension Fund	15.4	10.2
SL Vanguard Emerging Markets Stock Index Pension Fund	2.8	3.3
SL Vanguard UK Investment Grade Bond Index Pension Fund	8.9	0.3
SL Vanguard FTSE UK All Share Index Pension Fund	8.2	6.6
SL Liontrust UK Equity Pension Fund	11.1	4.6
Standard Life Index Linked Bond Pension Fund	-0.2	-5.3
Standard Life Deposit and Treasury Pension Fund	4.6	1.3
Standard Life Overseas Tracker Pension Fund	17.4	13.5
Standard Life Global Equity 50:50 Tracker Pension Fund	12.6	10.1
Standard Life Corporate Bond Pension Fund	9.1	0.5
Standard Life Pooled Property Pension Fund	3.5	0.8
Standard Life UK Fixed Interest 60:40 Pension Fund	4.4	2.2
SL Ninety One Global Multi-Asset Sustainable Growth (CR) Pension Fund	1.0	2.4
SL Schroder Life Intermediated Diversified Growth (CR2) Pension Fund	4.4	Not available[1]
SL abrdn Global Real Estate Institutional Pension Fund	0.2	3.6

Source: Standard Life. Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year.
1 The investment manager has been unable to provide the 5 year annualised returns as the fund was introduced less than 5 years ago.

2. Net investment returns (continued)

(iii) Additional Voluntary Contributions

The unit-linked funds held by DB members who paid AVCs are now invested in the DC Section and are therefore covered in the sections above. Members also have AVCs in the legacy AVC policies, and these are invested in Aviva and Prudential With Profits Funds.

The table below shows the return achieved by the assets of each of the With Profits Funds. This is not the same as the increase in members' policy values over these periods, which are determined by the annual bonus declared by the provider.

We would expect a terminal bonus to be applied when members take benefits from the With Profits Fund to increase returns to levels close to those achieved on the underlying assets over the period held (after all costs of running the fund are taken into account). However, these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors may be applied on exit at any time other than maturity date, or in the event of death before retirement.

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund Name	**1 year**	**5 years**
Prudential With Profits Cash Accumulation Fund	**4.3**	**5.1**
Aviva Conventional With Profits Fund	**4.9**	**6.6**

Source: Prudential and Aviva.

3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- ***Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;***
- ***Transaction costs: these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but they do not include any costs incurred when members invest in or sell out of funds.***

The Trustee is also required to confirm that the total costs and charges paid by any member in the default arrangement(s) have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the reporting period in respect of each investment fund available to members. These comprise the Total Expense Ratio ("TER") and transaction costs.

Where transaction costs have been calculated as a negative cost, these have been set to zero by the Trustee to avoid potentially understating the total level of costs and charges.

3. Member Borne Charges and Transaction costs (continued)

DC Section

Over the reporting period, the Multi-Asset Lifecycle Strategy (the primary default arrangement) levied a TER ranging from 0.10% p.a. to 0.42% p.a. of assets under management, depending on term to retirement. This is well below the charge cap of 0.75% p.a.

The TER for the Standard Life Deposit and Treasury Pension Fund (the secondary default arrangement) was 0.16% over the Scheme year, which is also below the 0.75% p.a. charge cap.

In addition to the primary and secondary default arrangements, the Scheme offers a range of 13 self-select funds and 2 other Lifecycle strategies that members can choose to invest in.

The TERs that were levied on these funds and strategies as at 31 December 2023 are set out in the table below. The TERs applicable to different funds are readily available to members and can be found via the Scheme's website. The TER is deducted as a percentage of members' funds by adjusting the unit price.

The tables below also indicate the transaction costs incurred for each of the Lifecycle strategies and self-select funds available to members over the Scheme year to 31 December 2023. The transaction costs shown below are calculated using the standardised method set by the Financial Conduct Authority.

The transaction costs shown were incurred largely as a result of buying and selling investments in a fund. These comprise two categories of transaction costs, which are explained in more detail here:

- As defined by the Financial Conduct Authority, there are costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.
- There are also costs that are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another.

Fund costs over the 12 months to 31 December 2023

Lifecycle strategies	**Total Expense Ratio (TER) (%)**	**Transaction Costs (%)**	**Total costs (%)**
Multi-Asset Lifecycle Strategy *(primary default arrangement)*	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63
Cash	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63
Annuity	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63

DC Governance Statement (continued)

3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Lifecycle strategies	Total Expense Ratio (TER) (%)	Transaction Costs (%)	Total costs (%)
Funds used in the Lifecycle strategies and also available within the Self-Select range			
Standard Life Overseas Tracker Pension Fund	0.10	0.03	0.13
Standard Life Vanguard FTSE UK All Share Index Pension Fund	0.10	0.08	0.18
Standard Life Schroder Intermediated Diversified Growth Pension Fund	0.68	0.41	1.09
Standard Life Ninety One Global Multi-Asset Sustainable Growth Pension Fund1	0.80	0.34	1.14
Standard Life Corporate Bond Fund	0.31	0.07	0.38
Standard Life Index Linked Bond Pension Fund	0.31	0.03	0.34
Standard Life Deposit and Treasury Pension Fund	0.16	0.08	0.24
Self-Select Funds			
Standard Life Global Equity 50:50 Tracker Pension Fund	0.11	0.05	0.16
Standard Life Veritas Global Focus Pension Fund	0.94	0.09	1.03
Standard Life Liontrust (formerly Majedie) UK Equity Fund5	0.80	0.46	1.26
Standard Life Vanguard Emerging Markets Stock Index Pension Fund	0.25	0.12	0.37
Standard Life Vanguard UK Investment Grade Bond Index Pension Fund	0.10	0.14	0.24
Standard Life UK Fixed Interest 60:40 Pension Fund	0.31	0.00	0.31
Standard Life ASI Global Real Estate Institutional Pension Fund[2]	0.88	0.40	1.28
Standard Life Pooled Property Pension Fund[2]	0.53	0.24	0.77

DC Governance Statement (continued)

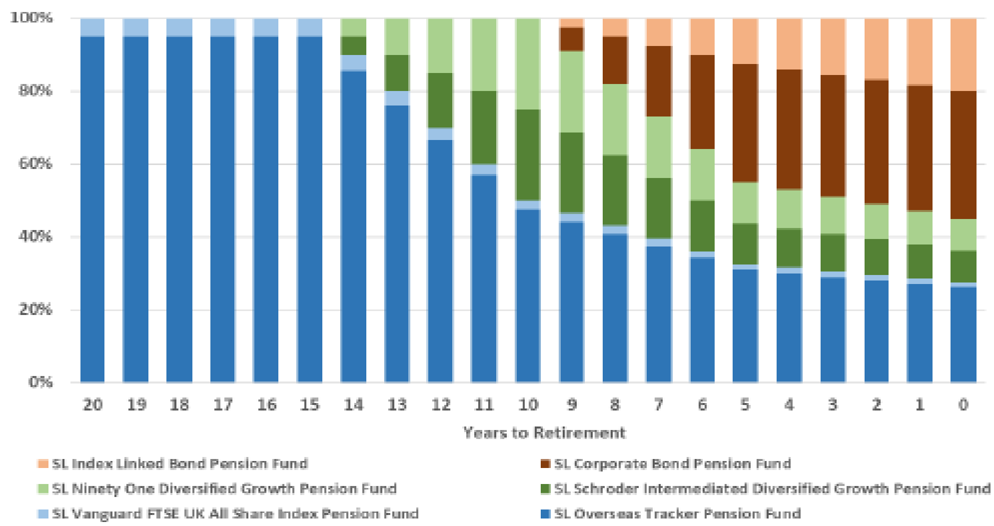
3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Multi-Asset Lifecycle Strategy (Primary Default arrangement)

During the Scheme year, the costs and charges applicable to each member that was invested in the Multi-Asset Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Multi-Asset Lifecycle Strategy.



The tables below provide a breakdown of the TERs and transaction costs applicable to a member each year up to retirement. Please note that that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.

Years to retirement	15+	14	13	12	11	10	9	8
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0,17
Total Cost %*	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	7	6	5	4	3	2	1	0
TER % p.a.	0.37	0.35	0.34	0.34	0.33	0.33	0.33	0.33
Transaction costs %	0.16	0.14	0.12	0.12	0.12	0.11	0.11	0.11
Total Cost %*	0.53	0.49	0.46	0.46	0.45	0.45	0.44	0.43

DC Governance Statement (continued)

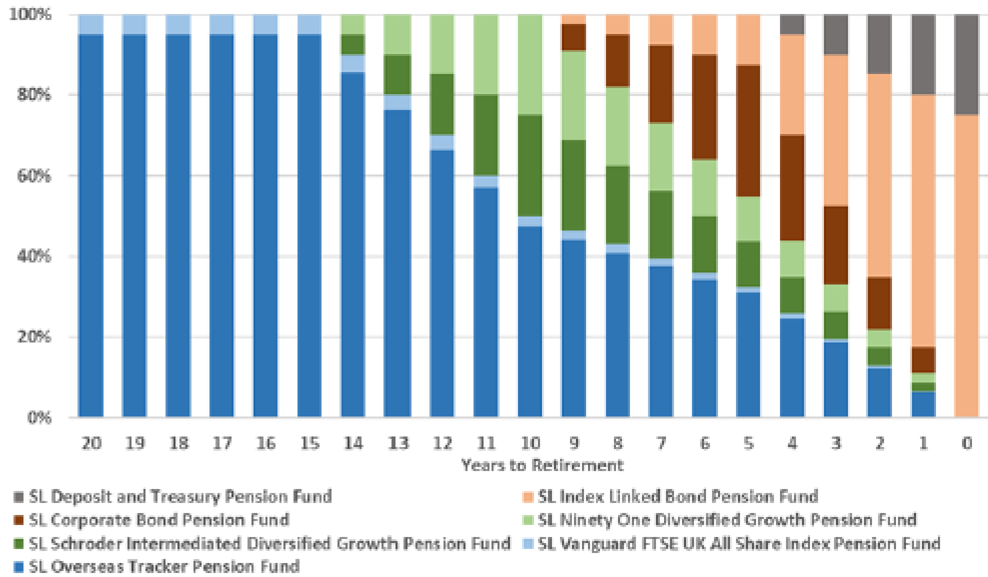
3. *Member Borne Charges and Transaction costs (continued)*

DC Section (continued)

Annuity Lifecycle strategy

During the Scheme year, the costs and charges applicable to each member that was invested in the Annuity Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Annuity Lifecycle Strategy.



The tables provide a breakdown of the TERs and transaction costs applicable to a member each year up to retirement. Please note that that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.

Years to retirement	15+	14	13	12	11	10	9	8
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0.17
Total Cost %*	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	7	6	5	4	3	2	1	0
TER % p.a.	0.37	0.35	0.34	0.33	0.31	0.30	0.29	0.27
Transaction costs %	0.16	0.14	0.12	0.11	0.09	0.07	0.06	0.04
Total Cost %*	0.53	0.49	0.46	0.43	0.40	0.37	0.34	0.31

DC Governance Statement (continued)

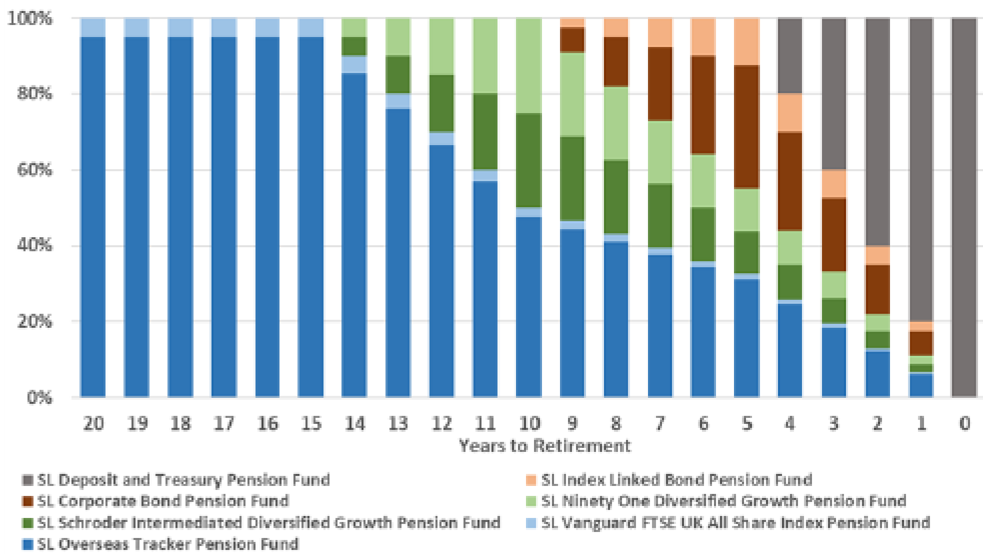
3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Cash Lifecycle strategy

During the Scheme year, the costs and charges applicable to each member that was invested in the Cash Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Cash Lifecycle Strategy.



Years to retirement	15+	14	13	12	11	10	9	8
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0,17
Total Cost %*	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	7	6	5	4	3	2	1	0
TER % p.a.	0.37	0.35	0.34	0.33	0.27	0.23	0.20	0.16
Transaction costs %	0.16	0.14	0.12	0.11	0.10	0.09	0.09	0.08
Total Cost %*	0.53	0.49	0.46	0.43	0.37	0.33	0.28	0.24

*Totals may not sum due to rounding

3. *Member Borne Charges and Transaction costs (continued)*

DC Section (continued)

Legacy AVC Arrangements

As discussed in section 2, members' AVCs that are invested in the DC Section are reported on above.

The Trustee has requested charges and transaction cost information from the legacy AVC providers, Prudential and Aviva. Where available, this information is set out in the table below.

There are no explicit charges on either With Profits Fund, charges are inherent within the annual bonus declarations, which is a standard market practice for such funds.

Prudential estimates the annual management charge for the With Profits Cash Accumulation Fund is 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.31% per annum. Prudential does calculate the transaction costs for the With Profits Cash Accumulation Fund, but the latest available costs are for the 12-month period to 30 June 2023, and these are reported in the table below.

Fund Name	TER (%)	Transaction Costs (%)	Total Cost (%)
Prudential With Profits Cash Accumulation Fund	1.1 (implicit)	0.17	1.28
Aviva Conventional With Profits Fund	0.54	0.04	0.58

Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced requirements relating to the disclosure and publication of the level of costs by the trustee and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical DC Section members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out in the appendix.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the DC Section, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Each illustration is shown for a different type of member (the youngest active member, a typical active member, and a typical deferred member) invested in the Multi-Asset Lifecycle strategy (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default).

Illustrations for each default arrangement are shown as a chart and a table as follows:

- Each chart shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied.
- In accordance with the guidance, we also show projected retirement savings if the typical members were invested in the fund which attracts the lowest charges – Standard Life

DC Governance Statement (continued)

3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Legacy AVC Arrangements (continued)

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

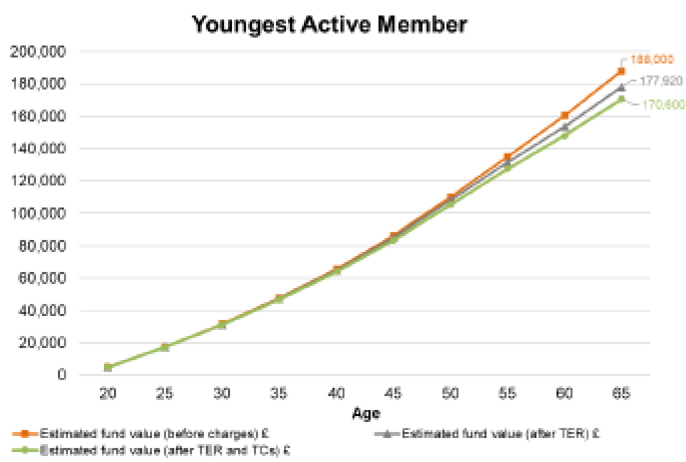
Please note that not all investment options available are shown in the illustrations. Members are also offered a range of self-select funds which, as the tables above show, which have different TERs and transaction costs, as well as different expected growth rates.

Youngest Active Member

For the youngest active member invested in the Multi-Asset Lifecycle (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 18, current fund value of £400, salary of £25,000 ongoing contributions of 9% of salary and a Normal Retirement Age of 65.



3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Youngest Active Member (continued)

Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
18	400	400	0	400	400	0
20	4,980	4,970	10	4,870	4,810	60
25	17,480	17,330	150	16,240	15,550	690
30	31,650	31,180	470	27,890	25,910	1,980
35	47,710	46,700	1,010	39,820	35,900	3,920
40	65,910	64,080	1,830	52,050	45,530	6,520
45	86,550	83,560	2,990	64,580	54,830	9,750
50	109,930	105,370	4,560	77,420	63,790	13,630
55	135,050	127,500	7,550	90,570	72,430	18,140
60	160,360	147,980	12,380	104,050	80,770	23,280
65	188,000	170,600	17,400	117,860	88,800	29,060

Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
18	400	400	0	400	400	0
20	4,970	4,960	10	4,770	4,760	10
25	17,420	17,270	150	15,140	15,020	120
30	31,460	30,990	470	24,780	24,450	330
35	47,300	46,290	1,010	33,730	33,120	610
40	65,160	63,350	1,810	42,040	41,070	970
45	85,310	82,380	2,930	49,770	48,380	1,390
50	108,050	103,580	4,470	56,940	55,100	1,840
55	133,690	127,230	6,460	63,610	61,270	2,340
60	162,620	153,590	9,030	69,800	66,930	2,870
65	195,250	182,980	12,270	75,550	72,140	3,410

DC Governance Statement (continued)

3. Member Borne Charges and Transaction costs (continued)

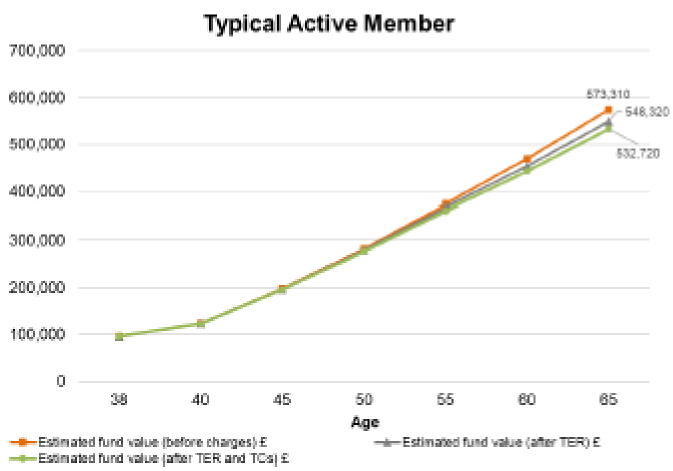
DC Section (continued)

Typical Active Member

For a typical active member invested in the Multi-Asset Lifecycle strategy (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 38, current fund value of £96,000, salary of £92,000, ongoing contributions of 12% of salary and a Normal Retirement Age of 65, which reflects a typical active member based on the Scheme's current membership. Note that the contribution level of 12% is a key driver of the higher total fund value at retirement, compared to projections for the youngest active member which assumes contributions of 9% of salary.



Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
38	96,000	96,000	0	96,000	96,000	0
40	123,300	122,770	530	118,850	116,270	2,580
45	197,830	195,270	2,560	176,970	165,680	11,290
50	282,310	276,500	5,810	236,520	213,330	23,190
55	374,290	361,080	13,210	297,540	259,280	38,260
60	469,330	442,930	26,400	360,060	303,600	56,460
65	573,310	532,720	40,590	424,120	346,340	77,780

DC Governance Statement (continued)

3. Member Borne Charges and Transaction costs (continued)

DC Section (continued)

Typical Active Member (continued)

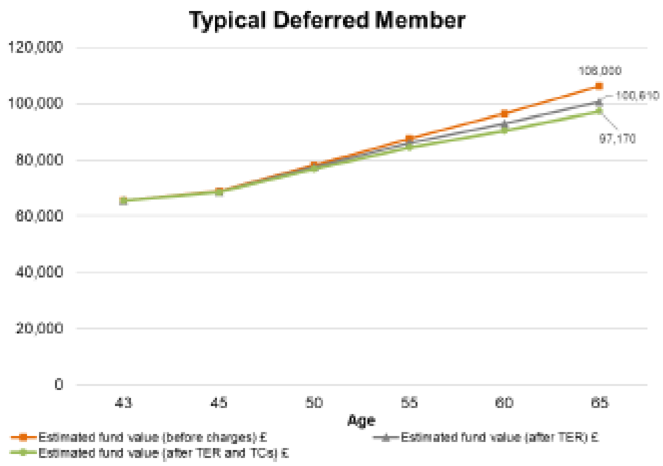
Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
38	96,000	96,000	0	96,000	96,000	0
40	123,080	122,560	520	114,700	114,240	460
45	196,780	194,250	2,530	159,110	157,210	1,900
50	279,920	274,170	5,750	200,370	196,690	3,680
55	373,710	363,280	10,430	238,690	232,950	5,740
60	479,500	462,640	16,860	274,290	266,260	8,030
65	598,850	573,410	25,440	307,360	296,860	10,500

Typical Deferred Member

For a deferred member invested in the Multi-Asset Lifecycle strategy (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 43, current fund value of £65,500, no ongoing contributions and a Normal Retirement Age of 65, which reflects a typical deferred member based on the Scheme's current membership.



DC Governance Statement (continued)

3. *Member Borne Charges and Transaction costs (continued)*

DC Section (continued)

Typical Deferred Member (continued)

Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
43	65,500	65,500	0	65,500	65,500	0
45	68,870	68,540	330	66,140	64,560	1,580
50	78,050	76,790	1,260	67,770	62,260	5,510
55	87,550	84,450	3,100	69,440	60,040	9,400
60	96,390	90,400	5,990	71,150	57,910	13,240
65	106,000	97,170	8,830	72,900	55,840	17,060

Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
43	65,500	65,500	0	65,500	65,500	0
45	68,730	68,410	320	63,600	63,310	290
50	77,540	76,280	1,260	59,080	58,160	920
55	87,460	85,040	2,420	54,880	53,430	1,450
60	98,660	94,820	3,840	50,980	49,080	1,900
65	111,300	105,720	5,580	47,360	45,080	2,280

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

DC Governance Statement (continued)

3. *Member Borne Charges and Transaction costs (continued)*

DC Section (continued)

Typical Deferred Member (continued)

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- *Annual salary growth and inflation is assumed to be 2.5% per annum*
- *The starting fund values and future contributions used in the projections is representative of the average for the DC Section*
- *The growth assumptions used are consistent with those used in members' annual benefit statements, these are now based upon each funds' historic volatility not on expectations of future investment returns.*
- *The projected annual returns on assets are:*

Fund Name	*Growth assumption* (%)*	*TER (%)*	*Average transaction costs (%)*	*Total cost (%)*
Standard Life Overseas Tracker Pension Fund	5.0	0.10	0.15	0.25
Standard Life Vanguard FTSE UK All Share Index Pension Fund	7.0	0.10	0.15	0.25
Standard Life Schroder Intermediated Diversified Growth Pension Fund	3.0	0.68	0.26	0.94
Standard Life Ninety One Global Multi-Asset Sustainable Growth Pension Fund1	5.0	0.80	0.41	1.21
Standard Life Corporate Bond Fund	3.0	0.31	0.05	0.36
Standard Life Index Linked Bond Pension Fund	7.0	0.31	0.06	0.37
Standard Life Deposit and Treasury Pension Fund	1.0	0.16	0.07	0.25
Standard Life ASI Global Real Estate Institutional Pension Fund	*3.0*	0.88	0.36	1.24

*The assumed growth rates are calculated gross of charges and are shown per annum.

- *For the Multi-Asset Lifecycle the projection takes into account the changing proportion invested I the different underlying funds. All funds shown above are underlying funds.*
- *The transaction costs have been averaged over a 5 year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.*
- *Data used is as at 31 December 2023.*

4. Value for Members assessment

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with its advisers, Aon, the Trustee has developed its cost-benefit analysis framework in order to assess whether members receive good value from the Scheme relative to the costs and charges they pay.

The costs have been identified as the sum of the TER and transaction costs and are set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following five categories: Scheme governance, investments, administration, member communications and engagement and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of this years' assessment.

Scheme governance

- The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members' interests are protected, increasing the likelihood of good outcomes for members.
- The Trustee Directors have engaged with their professional advisers regularly throughout the period to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. All Scheme documents are accessible to Trustee Directors.
- The Trustee has suitable governance monitoring in place. Core financial transactions and other key governance metrics are monitored quarterly, and DC-related risks are captured in, and monitored though, the Scheme's risk register. Investment performance of DC funds is reported on and reviewed quarterly and the legacy AVC arrangements are reviewed every three years.Regular meetings are held with the administrator to discuss and progress administration matters that require input from the Trustee. Investments.

Investments

- The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.
- The DC Section of the Scheme offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.
- The Trustee regularly monitors the DC Section's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. The Trustee is supported in this monitoring activity by its investment consultants.

DC Governance Statement (continued)

4. Value for Members assessment (continued)

Investments (continued)

- The Trustee receives quarterly reports and verbal updates from the investment consultants on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the investment managers over 3-year periods.
- The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its investment managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

Administration

- The Trustee believes that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.
- The Trustee has a Service Level Agreement ("SLA") in place with Capita. This covers contributions, website maintenance, investment switches, benefit statements, general enquiries and member events (such as retirements and transfers).
- The Trustee receives quarterly stewardship reports from Capita on key aspects of the administration which includes special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed. This report is presented and discussed at each Board meeting to ensure the Trustee can monitor Capita's compliance with the service levels agreed and that core financial transactions are processed accurately and in a timely manner.
- Capita has confirmed that there are processes in place for each type of core financial transaction, to ensure that all transactions are processed accurately and in a timely manner. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team. Capita also have their own internal quality control processes to ensure the accuracy of transactions and monthly unit reconciliations are carried out. There is day-to-day contact with Capita to ensure any issues can be flagged as they arise and dealt with on a timely basis.
- In addition, the administration team at Capita is subject to internal audits as well as an annual external audit. The administration team are subject to “on the job" and ad hoc training and development, and are actively encouraged to obtain formal qualifications in relevant areas.
- The Trustee does not have an SLA in place with the AVC providers, but this is in line with market practice for older policies. All AVC transactions come through Capita therefore any significant issues with AVC provider administration should be identified through Capita’s regular reporting.

4. Value for Members assessment (continued)

Member communications

- The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.
- The Scheme provides members with clear, regular communications regarding any changes to the DC Section's investments, as well as a quarterly summary of fund performance available to members via the website, benefit statements and 'at retirement' communications. Online tools to support retirement planning and other materials are available on the member website: www.myallenoverypension.com.
- Members have the ability to ask the Trustee any questions in relation to the Scheme's underlying investment strategies. Throughout the Scheme year, the Trustee, with support of its investment consultants, have addressed a number of member queries. This includes questions about the performance of the funds and lifecycle strategies available to members.

Retirement support

- Members are signposted to the member site where tools such as the pension calculator can be located easily. Communications also typically sign-post Pension Wise, and MoneyHelper.
- Members receive wake up packs which outline their options at retirement. Members can purchase an annuity at retirement or they can take their funds as cash (uncrystallised fund pension lump sums ("UFPLS") for DC funds and pension commencement lump sum ("PCLS") for AVCs). However, members do not have access to drawdown and are required to transfer their benefits from the Scheme to access full pensions freedom.
- Members have access to the Capita Administration Team for further support as they approach retirement, as well as a whole of market annuity broking service from LV.

Overall conclusion of the Value for Members assessment

The Trustee's overall assessment described above concluded that based on the charges and transaction costs members pay on the funds available (to the extent that information about these is available), the DC Section and the AVC arrangements offer good value for members. The other factors assessed as part of the Trustee's wider value assessment of the DC Section enhance the overall quality of the DC Section further.

An AVC review was conducted in May 2022 and the Trustee concluded that there were no major concerns about the longer term suitability of the With Profits Fund providers. Furthermore, the DB AVC members are expected to receive additional value from smoothed investment returns and any guarantees that may apply to the With Profit Funds.

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

Capita provide administration services for the DC Section. Members of the Defined Benefit Section of the Scheme who have AVCs also have access to the DC fund range through Standard Life, with Capita also providing administration services for the members who have AVCs invested in the DC Section.

To enable the Trustee to monitor the processing of core financial transactions, the Board receives quarterly stewardship reports from Capita on key aspects of the administration which includes special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed. This report is presented and discussed at each Board meeting to ensure the Trustee can monitor Capita's compliance with the service levels agreed and that core financial transactions are processed accurately and in a timely manner.

The Trustee has a SLA in place with Capita. This covers contributions, website maintenance, investment switches, benefit statements, general enquiries and member events (such as retirements and transfers). Under the current SLA, Capita aims to accurately complete all tasks (including administration tasks and pension payroll processing) within a maximum of 15 working days. The SLA success rates reported by Capita over the 12 months to 31 December 2023 for the DC Section were acceptable, with an overall success rate of above 89.9%.

Capita has confirmed that there are processes in place for each type of core financial transaction, to ensure that all transactions are processed accurately and in a timely manner. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team. Capita also have their own internal quality control processes to ensure the accuracy of transactions and monthly unit reconciliations are carried out. There is day-to-day contact with Capita to ensure any issues can be flagged as they arise and dealt with on a timely basis.

In addition, the administration team at Capita is subject to internal audits as well as an annual external audit. The administration team are subject to “on the job" and ad hoc training and development, they are also actively encouraged to obtain formal qualifications in relevant areas.

The Trustee has up-to-date copies of Capita's AAF report which outlines the administration controls within Capita and these controls are reviewed on a regular basis as part of a risk register framework. The most recent AAF report did not highlight any areas of concern with regard to the core financial transactions.

Allen & Overy LLP are responsible for ensuring that contributions are paid over to the Scheme promptly, and the Scheme secretary also checks that the contributions are received on time. Capita carries out monthly unit reconciliations.

There were no issues raised regarding Capita’s administration of the DC and AVC Sections or processing of core financial transactions over the year and the Trustee is currently comfortable that appropriate measures are in place to ensure that core financial transactions in the DC and AVC Sections are processed promptly and accurately.

DC Governance Statement (continued)

5. Processing of Core Financial Transactions (continued)

AVCs with Prudential and Aviva

As highlighted in the earlier sections, there are a limited number of legacy AVC policies still in place with Aviva and Prudential relating to members of the Defined Benefit section of the Scheme. During the Scheme year, members that held investments within either the Aviva With Profits Fund or the Prudential With Profits Cash Accumulation Fund.

During the Scheme year to 31 December 2023, no contributions were paid into the Aviva arrangement. The Prudential arrangement received contributions during the year.

Aviva has reported the proportion of member transactions which have been completed accurately and within its target service level at platform level, it has not reported any Scheme-level information.

At platform level i.e. across all policies on the platform, Aviva completed 80% of tasks within its target service level over the 12 months to 31 December 2023.

Also, Aviva has confirmed they have robust processes in place to ensure that any communications they produce are:

- clear, fair and not misleading
- compliant with regulations
- issued within regulatory timeframes

At the time of producing this Chair’s Statement, Prudential have not provided the governance report to cover the Scheme year to 31 December 2023 to the Trustee therefore it is not possible to comment on Prudential’s service levels in this statement.

The Trustee is satisfied that over the period:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- There have been no material administration errors in relation to processing core financial transactions; and
- The vast majority of core financial transactions have been processed promptly and accurately during the Scheme year (on the basis that the legacy AVC arrangements make up a very small proportion of the transactions).

6. Trustees' Knowledge and Understanding (TKU)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as a Trustee properly.

There were no changes made to the Trustee Board over the 12 months to 31 December 2023.

As at 31 December 2023, there were three Employer Appointed Trustee Directors and three Member-Nominated Trustee Directors, as well as a Trustee Secretary.

Jeremy Parr (Chair) was reappointed for a further term as Chair on 6 November 2023, as agreed by the Trustee Board.

Following the end of the Scheme year, Jeremy Parr, the Chair, resigned from the position and was replaced as Chair by Neil Bowden.

The Trustee board incorporates a range of skills and experience and a diverse mix of backgrounds, including representatives from finance and pensions management. Given the professional nature and composition of the Trustee, DC-specific training sessions are primarily provided by the Scheme's investment consultant during Board meetings, when necessary.

Training logs are maintained for all Trustee Directors by the Scheme secretary, evidencing both the nature and amount of training completed by each Trustee Director. The training logs are also used to identify training needs as they arise.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments. The Trustees regularly carry out individual assessment of training needs to assess gaps, and required training is typically delivered at Trustee meetings or at specific training sessions.

Trustee Directors are encouraged to supplement their knowledge using the Pensions Regulator's Trustee Toolkit within 6 months of appointment, unless they can demonstrate that they have completed alternative training covering substantially the same material. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. It includes a series of online learning modules developed to help trustees achieve the required level of knowledge and understanding to perform their trustee functions. All Trustee Directors are strongly encouraged to complete the module in the Trustee Toolkit on hybrid schemes (i.e., pension schemes with a DB section and DC section, like the Scheme).

Copies of scheme documents are provided as part of the onboarding of new Trustee Directors and are reviewed by the Trustee Board on a regular basis, as well as being available to the Trustee Directors electronically.

In addition to the knowledge and understanding of the Trustee Board, the Trustee Directors have engaged with their appointed professional advisers regularly throughout the year to ensure that they run the DC Section and AVC arrangements and exercise their functions properly.

The Trustee considers that during the Scheme year, its compliance with the TKU requirements has been secured by taking the following measures:

- Completing e-learning modules by the Pensions Regulator
- Legislative and regulatory updates provided by their professional advisers at Trustee meetings.
- Regular updates from the Trustee’s investment consultant in relation to investment market activity, particularly given the market volatility experienced during 2023.

DC Governance Statement (continued)

6. Trustees' Knowledge and Understanding (TKU) (continued

The following activities were undertaken by the Trustee during the Scheme year:

- Reviewed quarterly administration reports from Capita to monitor service delivery against agreed service levels;
- Reviewed quarterly reporting of each individual investment fund against its benchmark with advice from its investment consultants (Aon), to monitor performance of the Scheme's funds against targeted benchmarks and objectives as set out in the SIP;
- Completion of a comprehensive DC Provision review project to assess the current Scheme administrator and platform provider against the wider market.
- Held four regular Trustee meetings and additional ad-hoc meetings and conference calls as required. The meetings were attended by professional advisers who provided reporting, training and specialist advice as required, in order to enable the Trustee Directors to properly exercise their governance functions over the Scheme;
- Maintained a regime for proper governance (based on the Pension Regulator's DC Code of Practice) and using this as the basis for governance of the DC Section. This was achieved through an annual assessment of the Scheme against the DC Code of Practice and a Value for Members assessment that directly feeds into the content of this statement; and,
- Completed and submitted a Competition and Markets Authority (CMA) compliance Statement.
- Completed an Implementation statement covering the previous Scheme year.

Overall and for the reasons set out above, the Trustee believes it continued to meet the TKU requirements (as set out in the Pensions Act 2004 and the relevant Code of Practice) during 2023, and that the Trustee's combined knowledge and understanding, together with advice available to it, enables the Trustee to properly exercise its function.

Signed on behalf of the Trustee of the Allen & Overy Pension Scheme

Name	**Neil Bowden**
Signature	
Date	

Actuary's Certification of the Schedule of Contributions

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Allen & Overy Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 January 2023 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 30 November 2023.

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

Signature:

Date: 30 November 2023

Name: Darren Charles

Qualification: FIA

Address: The Aon Centre
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AN

Name of employer: Aon Solutions UK Limited

Independent Auditors' Report to the Trustee of The Allen & Overy Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, The Allen & Overy Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than 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 within the Trustee's Annual Report and Financial Statements, which comprise: the Statement of Net Assets available for Benefits as at 31 December 2023; 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 The Allen & Overy Pension Scheme

Reporting on other information

The other information comprises all of the information in the Trustee's Annual Report and 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.

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.

Independent Auditors' Report to the Trustee of The Allen & Overy Pension Scheme

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

Audit procedures performed by the engagement team included:

- Testing journals where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- 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
Leeds   Date

Independent Auditors' Statement about Contributions to the Trustee of The Allen & Overy Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions payable under the schedules of contributions for the scheme year ended 31 December 2023 as reported in The Allen & Overy 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 20 July 2020 and 30 November 2023.

We have examined The Allen & Overy Pension Scheme's summary of contributions for the scheme year ended 31 December 2023 which is set out on page 31.

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
Date

Fund Account

For the year ended 31 December 2023

	Note	Defined benefit section 2023 £000	Defined contribution section 2023 £000	Total 2023 £000	Total 2022 £000
Contributions and benefits					
Employer contributions	5	**1,189**	**17,894**	**19,083**	17,301
Employee contributions	5	**11**	**8,592**	**8,603**	7,646
		1,200	**26,486**	**27,686**	24,947
Transfers in	6	**-**	**843**	**843**	345
Other income	7	**7**	**-**	**7**	235
		7	**843**	**850**	580
Benefits paid or payable	8	**(3,715)**	**(810)**	**(4,525)**	(5,288)
Payments to and on account of leavers	9	**(94)**	**(6,997)**	**(7,091)**	(10,262)
Administrative expenses	10	**(1)**	**-**	**(1)**	-
		(3,810)	**(7,807)**	**(11,617)**	(15,550)
Net (withdrawals)/additions from dealings with members		**(2,603)**	**19,522**	**16,919**	9,977
Returns on investments					
Investment income	11	**6,410**	**-**	**6,410**	16,319
Change in market value of investments	12	**(207)**	**50,825**	**50,618**	(167,357)
Investment management expenses	13	**(186)**	**-**	**(186)**	(152)
Net returns on investments		**6,017**	**50,825**	**56,842**	(151,190)
Net increase/(decrease) in the fund		**3,414**	**70,347**	**73,761**	(141,213)
Transfers between sections		**113**	**(113)**	**-**	-
Opening net assets at 1 January		**176,572**	**389,094**	**565,666**	706,879
Closing net assets at 31 December		**180,099**	**459,328**	**639,427**	565,666

The notes on pages 68 to 87 form an integral part of these financial statements.

Statement of Net Assets Available for Benefits

As at 31 December 2023

	Note	Defined benefit section 2023 £000	Defined contribution section 2023 £000	Total 2023 £000	Total 2022 £000
Investment assets:					
Pooled investment vehicles	14	**173,035**	**456,114**	**629,149**	555,210
Insurance policies	15	**500**	**-**	**500**	600
AVC investments	16	**4,731**	**-**	**4,731**	4,811
Cash	12	**306**	**-**	**306**	249
Other investment balances	12	**262**	**-**	**262**	460
Total net investments		**178,834**	**456,114**	**634,948**	561,330
Current assets	20	**1,350**	**3,335**	**4,685**	4,863
Current liabilities	21	**(85)**	**(121)**	**(206)**	(527)
Total net assets available for benefits		**180,099**	**459,328**	**639,427**	565,666

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 29 and 30 of the Trustee's Annual Report, and these financial statements should be read in conjunction with this report.

The notes on pages 68 to 87 form an integral part of these financial statements.

The financial statements on pages 66 to 87 were approved by the Trustee, Allen & Overy Pension Trustee Limited, and signed on its behalf by:

____

Trustee Director

Date:

Notes to the Financial Statements

1. Basis of preparation

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

2. Identification of the financial statements

The Allen & Overy Pension Scheme ("the Scheme") is an occupational pension scheme established under an irrevocable trust dated 30 December 1983 under English Law and is governed by a Definitive Trust Deed and Rules. The Scheme was established to provide retirement benefits to certain groups of employees of Allen & Overy LLP whose principal office is One Bishops Square, London, E1 6AD.

The Scheme is hybrid having two sections, the Defined Benefit (DB) section which was closed for future accrual from 31 December 2006 and no longer has active members, and the Defined Contribution (DC) section which is open to new members and is used as an auto-enrolment scheme by the Employer.

Notes to the Financial Statements

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account

	Note	Defined benefit section 2022 £000	Defined contribution section 2022 £000	Total 2022 £000
Contributions and benefits				
Employer contributions	5	1,143	16,158	17,301
Employee contributions	5	8	7,638	7,646
		1,151	23,796	24,947
Transfers in	6	-	345	345
Other income	7	-	235	235
		-	580	580
Benefits paid or payable	8	(3,675)	(1,613)	(5,288)
Transfers out to other schemes	9	(2,644)	(7,618)	(10,262)
		(6,319)	(9,231)	(15,550)
Net (withdrawals)/additions from dealings with members		(5,168)	15,145	9,977
Returns on investments				
Investment income	11	16,319	-	16,319
Change in market value of investments	12	(126,805)	(40,552)	(167,357)
Investment management expenses	13	(152)	-	(152)
Net returns on investments		(110,638)	(40,552)	(151,190)
Net decrease in the fund during the year		(115,806)	(25,407)	(141,213)
Transfers between sections		37	(37)	-
Opening net assets		292,341	414,538	706,879
Closing net assets		176,572	389,094	565,666

Notes to the Financial Statements

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Statement of Net Assets available for Benefits

	Note	Defined benefit section 2022 £000	Defined contribution section 2022 £000	Total 2022 £000
Investment assets:				
Pooled investment vehicles	14	168,330	386,880	555,210
Insurance policies	15	600	-	600
AVC investments	16	4,811	-	4,811
Cash	12	249	-	249
Other investment balances	12	460	-	460
Total net investments		174,450	386,880	561,330
Current assets	20	2,264	2,599	4,863
Current liabilities	21	(142)	(385)	(527)
Total net assets available for benefits		176,572	389,094	565,666

4. Accounting policies

The principal accounting policies of the Scheme are set out below. These have been consistently applied to all years presented unless otherwise stated.

Contributions

Employee contributions, including AVCs, are accounted for when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer in which case it is accounted for when received by the Scheme unless the right to opt-out has expired.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions and on an accruals basis in the payroll period to which they relate.

All contributions payable under salary sacrifice arrangements are classified as Employer contributions.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable or in the absence of such agreement, when received.

Death benefit contributions are made by the Employer to meet the cost of spouse's death-in-service pensions and are accounted for on an accrual's basis in the payroll period to which they relate.

Receipts under death-in-service policies

Receipts under death-in-service policies in excess of the benefits payable to beneficiaries become part of the Scheme surplus, are recognised on a cash basis and are invested in the DB section.

Notes to the Financial Statements

4. Accounting policies

Payments to members

Benefits are accounted for on an accruals basis on the later of the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, they are accounted for on the date of retiring, leaving or notification of death.

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.

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

Payments to and on account of leavers

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

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Expenses

Some investment management expenses are paid by the Scheme and accounted for on an accruals basis. The majority of investment expenses and all administrative expenses are paid for by the Employer without recharge to the Scheme.

Investment income

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

Income from pooled investment vehicles is accounted for when declared by the fund manager. Income that is rolled up in the investment fund and reflected in the value of the units is not separately reported and is accounted for as part of the change in market value of investments. Where income is distributed and immediately reinvested to purchase more units, it is accounted for as investment income.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Investments

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

Investments are included at fair value as described below:

- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the investment manager.
- Annuities are valued by the Scheme Actuary on a buy-out basis, using the most recent valuation assumptions updated for market conditions at the reporting date.
- AVC investments in with profits insurance policies are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

4. Accounting policies

Presentation currency

The Scheme functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. For the Scheme, the Trustee believes that the main estimates and assumptions relate to the valuation of the Scheme's investments and, in particular, those classified in Level 3 of the fair-value hierarchy. See note 17.

Presentation of the settlement of tax liabilities

Presentation on behalf of members whose benefits exceed the lifetime or annual allowance ('scheme pays') is on an accruals basis.

5. Contributions

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Employer contributions			
Normal	**-**	**16,308**	**16,308**
Death benefit contributions	**1,189**	**-**	**1,189**
Bonus salary sacrifice	**-**	**1,586**	**1,586**
	1,189	**17,894**	**19,083**
Employee contributions			
Normal	**-**	**6,277**	**6,277**
AVCs	**11**	**2,315**	**2,326**
	11	**8,592**	**8,603**
Total contributions	**1,200**	**26,486**	**27,686**

Notes to the Financial Statements

5. Contributions (continued)

	2022 Defined benefit section £000	2022 Defined contribution section £000	2022 Total £000
Employer contributions			
Normal	-	15,025	15,025
Death benefit contributions	1,143	-	1,143
Bonus salary sacrifice	-	1,133	1,133
	1,143	16,158	17,301
Employee contributions			
Normal	-	5,504	5,504
AVCs	8	2,134	2,142
	8	7,638	7,646
Total contributions	1,151	23,796	24,947

Additional Voluntary Contributions (AVCs) paid to Prudential Assurance Company Limited with effect from January 2007 are in respect of Employed Early DB Leavers who are now DC Section active members. For the purposes of the financial statements, these contributions and any investment returns gained on these are shown entirely as DB Section AVCs.

Death benefit contributions relate to Employer contributions to meet the cost of spouse's death in service benefits payable under the Scheme Rules in respect of DC Section members. These contributions are invested along with the DB section contributions.

Employer contributions include contributions in respect of bonus salary sacrifice arrangements made available to certain members by the Employer.

6. Transfers in

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Individual transfers in from other schemes	**-**	**843**	**843**

	2022 £000	2022 £000	2022 £000
Individual transfers in from other schemes	-	345	345

Notes to the Financial Statements

7. Other income

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Compensation	**7**	**-**	**7**

	2022 £000	2022 £000	2022 £000
Death in service insurance receipts	-	235	235

8. Benefits paid or payable

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Pensions	**3,241**	**-**	**3,241**
Income drawdowns, commutations of pensions and lump sum retirement benefits	**375**	**290**	**665**
Lump sum death benefits	**19**	**221**	**240**
Purchase of annuities	**80**	**205**	**285**
Taxation where allowance exceeded	**-**	**94**	**94**
	3,715	**810**	**4,525**

	2022 £000	2022 £000	2022 £000
Pensions	3,053	-	3,053
Income drawdowns, commutations of pensions and lump sum retirement benefits	581	757	1,338
Lump sum death benefits	-	367	367
Purchase of annuities	-	438	438
Taxation where allowance exceeded	41	51	92
	3,675	1,613	5,288

Pensions include payments under annuities in the name of the Trustee paid to pensioners directly.

Notes to the Financial Statements

9. Payments to and on account of leavers

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Individual transfers out to other schemes	**94**	**6,997**	**7,091**

	2022 £000	2022 £000	2022 £000
Individual transfers out to other schemes	2,644	7,618	10,262

10. Administrative expenses

	2023 Defined benefit section £000	2022 Defined benefit section £000
HMRC fines	**1**	**-**

There are no administrative expenses separately charged to the defined contribution section.

11. Investment income

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Interest on cash deposits and other	**41**	**-**	**41**
Income from pooled investment vehicles	**6,226**	**-**	**6,226**
Annuity income	**143**	**-**	**143**
	6,410	**-**	**6,410**

	2022 £000	2022 £000	2022 £000
Interest on cash deposits and other	6	-	6
Income from pooled investment vehicles	16,166	-	16,166
Annuity income	147	-	147
	16,319	-	16,319

Insight pooled LDI funds went through a re-leveraging event in the final quarter of 2022 because the market value of some of the gilts had risen, resulting in them distributing cash amounts back to clients invested in these funds in October and December 2022. This distribution relates to both investment income and change in market value; but Insight are not able to provide this split. Accordingly, solely for the purposes of presentation in these financial statements, all of the distribution of £11.7m has been classified as investment income.

Notes to the Financial Statements

12. Reconciliation of investments

	Value at 1 January 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 December 2023 £000
Defined Benefit Section					
Pooled investment vehicles	168,330	**30,505**	**(25,634)**	**(166)**	**173,035**
Insurance policies	600	**-**	**-**	**(100)**	**500**
AVC investments	4,811	**21**	**(160)**	**59**	**4,731**
	173,741	**30,526**	**(25,794)**	**(207)**	**178,266**
Cash deposits	249				**306**
Other investment balances	460				**262**
	174,450				**178,834**

	Value at 1 January 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 December 2023 £000
Defined Contribution Section					
Pooled investment vehicles	386,880	**27,095**	**(8,686)**	**50,825**	**456,114**

In addition to the above purchases and sales of DC investments during the year there were also switches of £28,171,352 (2022: £27,026,000).

There are no separately identifiable transaction costs as these are incurred through the bid-offer spread on investments within the pooled investment vehicles and charges made within those vehicles.

Other investment balances

	2023 £000	2022 £000
Cash in transit	**52**	58
Income receivable	**210**	402
	262	460

For the Defined Contribution section, investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are received. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

Notes to the Financial Statements

12. Reconciliation of investments

Defined contribution assets include amounts not allocated to members, and therefore available to the Trustee to apply as specified in the Scheme Rules, as follows:

	2023 £000	2022 £000
Assets allocated to Members	**453,740**	384,626
Assets not allocated to Members	**2,374**	2,254
	456,114	386,880

13. Investment management expenses

	2023 Defined benefit section £000	2022 Defined benefit section £000
Administration, management and custody	**186**	**152**

There are no investment management expenses separately charged to the defined contribution section.

14. Pooled investment vehicles

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

	2023 £000	2022 £000
Defined Benefit Section		
Equities	**28,953**	33,057
Bonds	**102,363**	106,285
Cash	**14,798**	1,236
Diversified Growth	**18,058**	17,464
Property	**8,863**	10,288
	173,035	168,330
Defined Contribution Section		
Equities	**349,353**	293,719
Bonds	**44,908**	37,826
Cash	**7,546**	6,955
Diversified Growth	**51,306**	45,269
Property	**3,001**	3,111
	456,114	386,880
Total	**629,149**	555,210

Notes to the Financial Statements

15. Insurance policies

The Trustee holds insurance policies with Aviva Life & Pensions UK Limited that secure the pensions payable direct to specified beneficiaries. These policies are assets of the Trustee and a valuation provided by the Scheme Actuary is included in the Net Assets available for benefits as per FRS 102.

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

	2023 £000	2022 £000
Annuities with Aviva	**500**	600

The annuities are valued on a buy-out basis to provide an approximate assessment of the value. The assumptions used were as below:

Discount rate	Aon Bulk Annuity Market Monitor yield curves – which estimate insurer pricing
Pension increases	Fixed (either 0% or 5%)
Mortality	**Base table:** 92% (Males)/103% (Females) of SAPS S3 'All lives' tables **Future improvements:** CMI 2021 Core Projections with smoothing parameter (Sk) of 7.0 and initial adjustments to mortality improvements parameter (A) of 0.5% p.a., with long-term rate of improvements of 1.75% p.a.

16. AVC investments

The AVC investments with Prudential Assurance Company Limited and Aviva Life & Pensions UK Limited shown below are held in the Trustee's name, separately from the Scheme, in the form of individual insurance policies. These secure additional benefits on a money purchase basis for those members electing to pay this type of additional voluntary contribution. Members participating in this arrangement each receive an annual statement as at 31 December confirming the amounts held in their account and the movements in the year.

Employed DB Early Leavers are also able to invest AVCs in the same investments that are available to Defined Contribution Section members. The amounts of such AVCs are shown below.

The Defined Benefit Section was closed for future accrual from 31 December 2006 and no longer has active members. The members that were active Defined Benefit Scheme members at that date (known as Employed DB Early Leavers) were able to join the Defined Contribution Section as active members from 1 January 2007. If any of these members continued to invest existing AVCs, or commenced payment of new AVCs, with Prudential Assurance Company Limited, such amounts are included in the Prudential Assurance Company Limited balances below.

Defined Contribution section AVCs are invested in the Standard Life funds of the members' choice on a money purchase basis. They are included in the Defined Contribution investments shown above in notes 12 and 14 and at the end of the year they were valued at £51,393,000 (2022: £42,948,000).

Notes to the Financial Statements (continued)

16. AVC investments

The aggregate amounts of DB AVC investments are as follows:

	2023 £000	2022 £000
Aviva Life & Pensions UK Limited (With-Profits insurance policy)	**285**	308
Prudential Assurance Company Limited (With-Profits insurance policy)	**4,329**	4,398
Standard Life unit linked (DB AVC investment in DC section)	**117**	105
	4,731	4,811

17. Fair value determination

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

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

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

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

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

As at 31 December 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Defined Benefit Section				
Pooled investment vehicles	**-**	**164,172**	**8,863**	**173,035**
Insurance policies	**-**	**-**	**500**	**500**
AVC investments	**-**	**117**	**4,614**	**4,731**
Cash	**306**	**-**	**-**	**306**
Other investment balances	**-**	**262**	**-**	**262**
	306	**164,551**	**13,977**	**178,834**
Defined Contribution Section				
Pooled investment vehicles	**-**	**453,262**	**2,852**	**456,114**
	306	**617,813**	**16,829**	**634,948**

Notes to the Financial Statements

17. Fair value determination

As at 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Defined Benefit Section				
Pooled investment vehicles	-	158,042	10,288	168,330
Insurance policies	-	-	600	600
AVC investments	-	106	4,705	4,811
Cash	249	-	-	249
Other investment balances	-	460	-	460
	249	158,608	15,593	174,450
Defined Contribution Section				
Pooled investment vehicles	-	383,799	3,081	386,880
	249	542,407	18,674	561,330

Investments reported under Level 3 are included at fair value based on (a) values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market date for pooled investment vehicles and AVC investments; and (b) values provided by the Scheme Actuary for the insurance policies (note 15).

18. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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

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

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

The Trustee determines their investment strategy after taking advice from a professional investment adviser.

The Scheme has exposure to these risks because of the investments it makes in adhering to the investment strategy set out above. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the arrangements in place with the Scheme's investment managers and monitored by the Trustee through regular reviews of the investment portfolio.

18. Investment risk disclosures

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

	Credit risk		Market risk			2023	2022
	Direct	Indirect	Currency	Interest rate	Other price	£'000	£'000
Return Seeking Portfolio							
L&G World Equity	●	○	●	○	●	**7,087**	7,982
L&G World Equity GBP Hedged	●	○	○	○	●	**21,866**	25,075
BlackRock UK Property	●	○	○	○	●	**8,863**	10,288
M&G Inflation Opportunities	●	◐	○	◐	●	**9,676**	10,001
Insight High Grade ABS	●	●	○	●	●	**12,204**	-
Aon – Multi Asset Credit	●	●	◐	●	◐	**18,058**	17,464
Matching Portfolio							
Insight LDI Funds	●	●	○	●	●	**92,687**	96,284
Insight Liquidity	●	●	○	●	○	**80**	120
L&G Cash	●	●	○	●	○	**2,514**	1,116
Total DB section investments						**173,035**	168,330
Total DC section							
Pooled investment vehicles	●	◐	◐	◐	●	**456,114**	386,880

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly / not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Defined Benefit (DB) Section

Credit risk

A summary of the exposures to credit risk is given in the following table. The notes below explain how risk is managed and mitigated.

Credit Risk	2023	2022
	£000	**£000**
Pooled investment vehicles		
Funds which invest in bonds/derivatives (direct and indirect risk)	126,626	115,544
Other funds (direct risk only)	46,409	52,786
Total	**173,035**	168,330

Notes to the Financial Statements

18. Investment risk disclosures

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to its ownership stake in these pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on the debt instruments held by the pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment manager, the regulatory environments in which the investment managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee relies on advice from their investment consultant pertaining to the operational strength of all existing and new pooled investment managers and on an on-going basis monitors any changes to the regulatory and operating environment of the pooled manager.

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

	2023 £000	2022 £000
Unit linked insurance contracts	31,467	34,173
Authorised unit trusts	8,863	10,288
Open ended investment companies	123,029	113,868
Common contractual fund	9,676	10,001
	173,035	168,330

Indirect credit risk is mitigated by employing skilled investment managers the Trustee believes to be qualified to manage exposures to different types of counterparty, whether bond holdings or derivative instruments. The Trustee manages the associated credit risk by ensuring that it appoints investment managers who diversify their portfolio to minimise the impact of default by any one issuer.

The Scheme is also subject to credit risk because the Scheme holds cash balances. These cash balances are small, and balances held are typically only sufficient to cover the working capital requirements of the Scheme over an agreed time period. Credit risk arising on cash is mitigated in this instance by holding cash within financial institutions which are at least investment grade credit rated.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and LDI through pooled investment vehicles and cash. The Trustee has set a benchmark for total investments in these Matching Assets of 52.5% of the total investment portfolio. The Matching Portfolio is considered here in isolation.

Under this strategy, if interest rates fall then the value of the bonds and LDI will typically rise to help match some of the increase in the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the bonds and LDI held will typically fall in value, as will the actuarial liabilities, because of an increase in the discount rate. As at 31 December 2023, the Matching Portfolio represented 55.1% of the total investment portfolio (2022: 57.9%).

The exposure to interest rate risk arising from the Matching Portfolio was £95.3m (2022: £97.5m).

The target hedge ratio is 95% of long term liabilities and is unchanged over the reporting year.

18. Investment risk disclosures

Other price risk

Other price risk arises principally in relation to the Scheme’s return seeking portfolio, which comprises of passively managed equities, absolute return strategies, property, and alternatives. The Scheme manages its exposure to overall price movements by diversifying its assets by geography, asset class, issuer, and manager. The Trustee has set a benchmark of 47.5% of assets in return seeking investments.

As at 31 December 2023, these assets held a value of £77.8m (2022: £70.8m).

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee does not set limits to overseas currency exposure.

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

Currency Risk	**2023 £000**	**2022 £000**
US dollars (USD)	**4,616**	5,073
Euros (EUR)	**608**	690
Japanese Yen	**470**	544
Other currencies	**1,112**	1,332
Total	**6,806**	7,639

Liquidity risk

The Scheme is subject to liquidity risk because some of the Scheme's investments are held in leveraged investment vehicles. The risk as at 31 December 2023 was within guidance issued by the Pension Regulator as a result of actions taken by the Trustee.

The leverage within the Scheme’s matching portfolio was c.1.8x, which the Trustee considers moderate and appropriate for the risks managed.

As at 31 December 2023, the Scheme held collateral within the LDI portfolio to sustain an upward movement in gilt yields of c.6.8% relative to guidance of 3-4%.

Defined Contribution (DC) Section

The Trustee Investment Plan is a unit-linked insurance policy issued by Standard Life Assurance Limited, with the underlying funds managed by Standard Life Investments (the “Manager”). Some of the risks arising from a fund’s financial instruments are foreign currency, interest rate, credit, counterparty, liquidity and market price risk. These risks are summarised below and have been managed through internal policies consistently throughout the year and prior year.

15 individual funds are made available for members to invest in, covering a range of different asset classes, including: equities, bonds, property, multi-asset and cash, and a range of management styles.

In addition to the 15 individual funds, members are also able to choose from three Lifecyle strategies: a Multi-Asset Lifecycle Strategy (the primary default Lifecycle strategy), an Annuity Lifecycle Strategy and a Cash Lifecycle Strategy. Each Lifecycle Strategy consists of an accumulation phase, a transition phase (beginning 15 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age).

Notes to the Financial Statements

18. Investment risk disclosures

The Multi-Asset Lifecycle strategy has been designed to be suitable for those not wishing to make investment decisions themselves whilst providing maximum flexibility at retirement for members to take benefits as they choose, for example by transferring to a flexible income drawdown product. The aim of the Multi-Asset Lifecycle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity funds and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of retirement benefits they wish to take.

The Scheme has exposure to the risks noted below because of the investments it makes in following the investment strategies set out above. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the arrangements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Foreign currency risk

Some of the assets of a fund may be denominated in foreign currencies, so the value and total returns can be affected by currency movements. In certain circumstances, we may seek to manage exposure to currency movements by using forward currency contracts. Income received in foreign currencies is converted into that fund’s base currency at the exchange rates prevailing when the income is received.

Interest rate risk

Bond yields are affected by market and economic conditions, including inflation rates and government policy. Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the fund also rises but the value of fixed rate securities will decline. A decline in interest rates will, in general, have the opposite effect.

Credit and counterparty risk

Direct credit risk to Standard Life Assurance Limited is mitigated by the firm’s Solvency Capital Requirements and the regulatory oversight of the Prudential Regulatory Authority.

Within a fund, all cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for that fund. In certain circumstances, the Manager may deliberately invest in securities with a well-defined and published credit rating. In this case a fund would be deliberately taking credit risk in order to seek additional rewards.

When a fund transacts with counterparties there is a risk of the counterparty not fulfilling their contractual obligations. The Manager’s Credit Committee reviews and monitors the credit risk associated with each counterparty and where necessary collateral may be held by the fund.

Liquidity risk

The main liabilities of a fund are the redemption of any units that investors wish to sell and the settlement of stock purchases. The Manager reviews the cash and liability position continuously, and should an increase in liquidity be required in order to meet redemptions the Manager will sell securities. In addition, the Manager will continually monitor market conditions and, where necessary, make changes to a fund’s asset mix in order to ensure that redemptions can continue to be met, in line with the funds policy provisions.

Notes to the Financial Statements

18. Investment risk disclosures

Market price risk

A fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager to achieve the investment objectives and policies. Our funds' investment guidelines are generally designed to mitigate the risk of excessive exposure to any particular type of security or issuer. Some of the market price risks associated with funds investing in different types of financial instruments are set out below:

- **Investment in Equities**

  The value of a fund that invests in equity and equity related securities will be affected by changes in the stock markets, changes in the value of individual portfolio securities, as well as by economic, political, and issuer specific changes. At times, stock markets and individual securities can be volatile and prices can change substantially in short periods of time. The equity securities of smaller companies are more sensitive to these changes than those of larger companies. This risk will affect the value of such funds, which will fluctuate as the value of the underlying equity securities fluctuates.

- **Investment in Fixed Income or Other Debt Securities**

  All fixed income or other debt securities have the fundamental risk that the issuer may be unable to make interest payments or repay the capital. Generally, government securities offer the lowest credit risk, which is reflected in their lower yield. Corporate debt offers a higher yield due to its higher risk. However changes in economic and political outlook affect the value of such securities.

- **Investment in property**

  The valuation of property is generally a matter of opinion by a valuer rather than fact. The cost to buy and sell property is significantly higher than for other asset classes. For further details please see the guide called Understanding Unit Linked Funds, available on request.

- **Investment in money market securities**

  Money market instruments include deposits with banks and building societies, as well as governments and large corporations. They also include other investments that can have more risk and return than standard bank deposits. There are circumstances where money market instruments can fall in value. Investments in these assets are riskier than cash deposit accounts – in some circumstances their values will fall. The return may also be lower than inflation.

- **Investment in Emerging Markets**

  Investments in emerging markets carry risks additional to those inherent in other investments. In particular, (i) investment in any emerging market carries a higher risk than investment in a developed market (e.g. investment and repatriation restrictions, currency fluctuations, government involvement in the private sector, investor disclosure requirements, possibility of limited legal recourse); (ii) emerging markets may afford a lower level of information and legal protection to investors; (iii) some countries may place controls on foreign ownership; and (iv) some countries may apply accounting standards and auditing practices which do not conform with the result that financial statements may differ from those that would be expected under internationally accepted accounting principles.

  In addition taxation of interest and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that a fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.

Notes to the Financial Statements

19. Concentration of Investments

The following investments in pooled funds constituted in excess of 5% of the Scheme's net assets:

	% of assets	2023 £000	% of assets	2022 £000
Defined Benefit section				
Insight Index-linked Gilt 2041-50 funded	**5.2**	**33,141**	-	-
Legal & General World Equity Index Hedged Fund	**3.4**	**21,866**	4.4	25,075
Defined Contribution section				
SL Overseas Equity Tracker	**40.4**	**258,561**	37.7	213,220

20. Current assets

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Contributions due from Employer in respect of:			
Employer	**80**	**1,367**	**1,447**
Employee	**1**	**747**	**748**
Cash balances	**1,054**	**1,221**	**2,275**
Prepaid pensions	**215**	**-**	**215**
	1,350	**3,335**	**4,685**

	2022 £000	2022 £000	2022 £000
Contributions due from Employer in respect of:			
Employer	95	1,265	1,360
Employee	1	660	661
Cash balances	1,955	674	2,629
Prepaid pensions	213	-	213
	2,264	2,599	4,863

Contributions due to the Scheme at 31 December 2023 relate to contributions for the month of December 2023 and were paid in full to the Scheme in accordance with the Schedule of Contributions.

The cash balances above reflect one bank account operated for both the Defined Benefit and the Defined Contribution Sections. Included in the Defined Contribution bank balance is £181,209 (2022: £187,985) which was not allocated to members.

Notes to the Financial Statements

21. Current liabilities

	2023 Defined benefit section £000	2023 Defined contribution section £000	2023 Total £000
Accrued benefits	**85**	**58**	**143**
Tax on annual allowances	**-**	**63**	**63**
	85	**121**	**206**
	2022 £000	**2022 £000**	**2022 £000**
Accrued benefits	101	335	436
Tax on annual allowances	41	50	91
	142	385	527

All current liabilities in the Defined Contribution section are allocated to members.

22. Related party transactions

Employer

During the years ended 31 December 2023 and 2022 there were related party transactions in respect of Scheme administrative costs paid by the Employer and not recharged to the Scheme. In addition, the Employer also paid premiums in respect of Death in Service benefits to Legal & General of £295,834 (2022: £266,537) and to AIG of £264,936 (2022: £238,351). Any benefits under these policies were received and paid to beneficiaries by the Scheme.

Key management personnel

As at 31 December 2023, the Directors of the Trustee Company consisted of 3 (2022: 4) active members of the Defined Contribution section, and the remaining 2 (2022:2) Directors were from Allen & Overy LLP, the Principal Employer.

Other related parties

Other than those disclosed elsewhere in the financial statements, there were no other related party transactions.

23. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities or contractual commitments at 31 December 2023 (2022 none).

Appendix – Statement of investment principles DC Section

1 Introduction

The Allen & Overy Pension Scheme Details

1.1 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries and is both defined contribution and defined benefits in nature. This statement relates only to the defined contribution section of the Scheme.

1.2 The Scheme is registered for the purposes of Chapter 2 of Part 4 of the Finance Act 2004.

1.3 Administration of the Scheme is the responsibility of the Trustee, who are also responsible for the investment of the Scheme's assets in accordance with the choices made by members.

Pensions Act

1.4 Under Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pensions Act 2004), Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustee of the Allen & Overy Pension Scheme ('the Scheme').

1.5 The Trustee shall consult with the employer, Allen & Overy, on changes to the investment policy set out in this document. However, the ultimate power of responsibility for deciding investment policy lies with the Trustee.

1.6 Before preparing this document, the Trustee has obtained and considered written advice from the Scheme's investment consultants (Aon). This written advice considers the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

1.7 The Trustee will review this document, in consultation with the Scheme's investment consultants, at least every three years and without delay after any significant change in investment policy.

Appendix – Statement of investment principles (continued)

1.8 Before preparing this document, the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in their investment policy.

Financial Services and Markets Act 2000

1.9 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to the Scheme's appointed investment managers, which may include an insurance company or companies. The Scheme's investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

2 Division of Responsibilities

2.1 The Trustee has ultimate responsibility for decision making on investment matters. To ensure that such decisions are taken efficiently, the Trustee uses other bodies either through direct delegation or in an advisory capacity. The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively.

The Trustee also recognises that where it takes investment decisions (for example, when making changes to the lifestyle strategies or the self-select fund options) it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes. The roles of each group are shown below:

Trustee

2.2 The Scheme Trustee responsibilities include:

a. Reviewing periodically the content of this Statement and modifying it if deemed appropriate, in consultation with the Scheme's investment consultants.

b. Reviewing the suitability of funds made available to members.

c. Assessing the past performance of the available funds, by means of regular reviews, along with the forward-looking prospects in consultation with the Scheme's investment consultants.

d. Considering the member borne charges and (where available) transaction costs applying on the funds and assessing whether these represent good value for members.

e. Reviewing periodically the appointment of the platform provider (Standard Life).

f. Appointing and monitoring the administrator and advisers of the Scheme.

g. Consulting with the employer before amending this Statement.

h. Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

Platform Provider

2.3 The Scheme's platform provider's responsibilities include:

a. Providing the Trustee with quarterly statements of the assets and factsheets on the underlying funds.

b. Ensuring that the underlying funds are priced correctly.

Member

2.4 Each member of the Scheme has responsibility for selecting his/her investments from the funds made available by the Trustee and for monitoring their continued suitability to the member's personal circumstances.

Investment Consultant

2.5 The Scheme's investment consultant's responsibilities include:

a. Advising the Trustee, on:

- how any changes in the Scheme's investment managers' organisations or any other issues related to the investment managers could affect the interests of the Scheme.
- the continued suitability of the investment funds.
- the continued suitability of the platform provider.
- how any changes in the investment environment could either present opportunities or issues for the Scheme.

b. Undertaking project work as requested including:

- advising on the selection of new funds for the Scheme.
- providing information and data on member borne charges, including assessing the charges on the default arrangement against the charge cap, and (where available) transaction costs applying to the funds, to include in the annual Chairman's statement in the Trustee Report & Accounts.
- providing information and advice on the level of security afforded to the Scheme's assets, including the level of coverage from the Financial Services Compensation Scheme
- providing information, as relevant, on other investment issues pertinent to the Trustee.

c. Participating with the Trustee in periodic reviews of this Statement.

3 Objectives and Long-Term Policy

Objectives

3.1 The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth which, together with new contributions from members and the employer, will provide a fund with which to access benefits at retirement.

3.2 Members' investment needs change as they progress towards retirement age. Younger members, e.g. those with more than 10 years to retirement, have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back from any temporary low. Older members, e.g. those with 10 or less years to retirement, will in general require an increasing degree of stability in the level of benefit which may be accessed with their account at retirement.

3.3 Members also have different levels of risk tolerance, regardless of age, and differing levels and types of personal investments. Therefore, members should have the facility to reflect their own preferences in this regard, whilst maintaining a suitable spread of investments.

Risk

3.4 The Trustee have considered risk from a number of perspectives, including:

- The risk that the investment return over members' working lives does not keep pace with inflation – "inflation risk".
- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured – "conversion risk".
- The risk that members end up with insufficient funds at retirement with which to secure a reasonable income – "shortfall" or "opportunity cost" risk.
- The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed – "manager risk".
- The risk of a fall in the value of the members' fund – "capital risk".

3.5 The funds offered through the Scheme have been chosen, in part, to help members mitigate these risks.

Policy

3.6 The Trustee policy is to seek to achieve the objectives through providing a suitable range of funds.

3.7 For those members who are willing to accept a greater level of volatility in pursuit of potentially achieving a higher value of their investment account, a range of passive and active equity funds, diversified growth funds and a property fund are available.

3.8 For those members who are less comfortable with higher volatility, there are a range of other asset classes available for investment including bonds, and money market funds.

3.9 All of the investment funds available trade daily and as such are readily realisable.

3.10 The investment managers or the Trustee will not borrow money or act as a guarantor for the purpose of providing liquidity (unless it is temporary).

3.11 In addition to this, the Trustee has put in place three open 'lifecycle' arrangements, designed for members targeting different forms of benefit at retirement. These are described in section 5.

4 Responsible Investment

Financially Material Considerations

4.1 In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance ("ESG") factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment consultants when setting the Scheme's investment strategy (including the default arrangement), when selecting managers and when monitoring their performance.

4.2 The Trustee further acknowledges that an understanding of financially material considerations, including ESG factors (such as climate change) and risks related to these factors, is necessary to allow them to discharge their fiduciary duties in a prudent manner.

The Trustee is taking the following steps to monitor and assess ESG-related risks and opportunities:

- The Trustee communicates the expectation to their investment managers that they should take into account ESG considerations in the selection, retention and realisation of investments.
- The Trustee will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's investment strategy.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use ESG ratings information provided by their investment consultants, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG in their management of the funds available for investment through the Scheme.
- In fund selection exercises, ESG integration and stewardship quality will be a topic of explicit discussion between the Trustee, the advisers and prospective investment managers.
- The Trustee will include ESG-related risks, including climate change, on the Scheme's risk register as part of ongoing risk assessment and monitoring.

Appendix – Statement of investment principles (continued)

Stewardship – Voting and Engagement

4.3 The Trustee invests in pooled funds through a platform provider, and as such have delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers in whose funds they invest.

4.4 The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

4.5 As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee communicates these expectations to their investment managers.

4.6 The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and takes advice from its investment consultants with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in their policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

4.7 The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

4.8 The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

4.9 The Trustee expects the Scheme's appointed investment managers to comply with the United Nations Global Compact and, additionally, the Trustee will identify key areas of concern (including, but not limited to, climate change risks) and will level scrutiny on its investment managers accordingly. It is the expectation of the Trustee that the Scheme's investment managers will prioritise and actively monitor for these risks within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

The transparency for voting should include voting actions and rationale with relevance to the Scheme.

The Trustee recognises that its collaborative behaviours can further work to mitigate the risks identified above, for the Scheme.

4.10 From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

4.11 In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The underlying funds that make up the default arrangement and other self-select funds should not apply personal ethical or moral judgements as the basis for an investment decision.

The Trustee recognises the importance of offering a suitable range of investment options for members, and where applicable will seek to discuss any member feedback received, to inform decisions in relation to the default arrangement and range of funds.

5 Investment Manager Arrangements

Manager Structure

5.1 The Scheme has appointed a Platform Provider (Standard Life) through which they will access a number of pooled funds, managed by investment managers, all of whom are remunerated on an ad valorem basis.

5.2 The Trustee policy is to obtain advice on whether the range of pooled funds are satisfactory, as required by the Pensions Act at least every three years.

5.3 The investment managers are responsible for having regard to the need for the diversification of investments so far as is appropriate and also to the suitability of investments.

5.4 The investment managers, at their discretion, but within guidelines set out in the respective funds' prospectus, are responsible for implementing changes in the asset mix and selecting securities within each asset class.

Arrangements with Investment Managers

5.5 Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

5.6 The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

5.7 There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

5.8 The Trustee believes they have a duty as institutional investors to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies who contribute significant negative externalities to society, regardless of whether the action may be financially material.

Appendix – Statement of investment principles (continued)

Performance Objectives

5.9 Whilst the Trustee is not involved in the pooled funds' day to day method of operation and therefore cannot directly influence the performance target, they will assess performance and review the managers included on the Platform on a periodic basis. The benchmarks and objectives of each fund are provided in the table below:

Fund	Benchmark	Objective
SL LF LionTrust UK Equity Fund	FTSE All-Share Index	The Fund aims to produce a total return in excess of the FTSE All-Share Index over the long-term through investment in a diversified portfolio, with at least 80% of the Fund invested in UK equities.
SL Vanguard FTSE UK All Share Index Pension Fund	FTSE All-Share Index	To track its benchmark within reasonable tolerance ranges.
SL Veritas Global Focus Pension Fund	MSCI World Index	To achieve returns of OECD G7 inflation plus 6% p.a.
Standard Life Global Equity 50:50 Tracker Pension Fund	50% FTSE All-Share Index; 50% MSCI World ex UK Index	To track its benchmark within reasonable tolerance ranges.
Standard Life Overseas Tracker Pension Fund	MSCI World ex UK Index	To track its benchmark within reasonable tolerance ranges.
SL Vanguard Emerging Markets Stock Index Pension Fund	MSCI Emerging Markets Index	To track its benchmark within reasonable tolerance ranges.
SL Schroder Intermediated Diversified Growth Pension Fund	CPI + 5% p.a.	To achieve CPI + 5% p.a. over full market cycles, typically considered as rolling five to seven-year periods (net of fees)
SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund	CPI +4% p.a.	To achieve CPI + 4% p.a. over full market cycles, typically considered as rolling five year periods

Appendix – Statement of investment principles (continued)

Fund	Benchmark	Objective
Standard Life Pooled Property Pension Fund (closed to new investments)	IPD UK PPFI All Balanced Funds Median	To outperform its benchmark by 1.0% p.a.
SL ASI Global Real Estate Institutional Pension Fund	N/A	To achieve a return of 5% p.a. over rolling three year periods.
Standard Life Index Linked Bond Pension Fund	FTSE British Government Index-Linked Over 5 Years Index	To outperform its benchmark by 0.3% p.a.
Standard Life UK Fixed Interest 60:40 Pension Fund	60% Merrill Lynch Sterling UK Non-Gilt All Stocks Index; 40% FTSE British Government Over 15 Years Index	To outperform its benchmark by 0.5% p.a.
SL Vanguard UK Investment Grade Bond Index Pension Fund	Barclays Global Aggregate UK Non-Government Float Adjusted Bond Index	To track its benchmark within reasonable tolerance ranges.
Standard Life Corporate Bond Pension Fund	ABI (Pension) Sterling Corporate Bond Sector	To outperform its benchmark by 0.80% over a 3-year period
Standard Life Deposit and Treasury Pension Fund	Sterling Overnight Interbank Average Index (SONIA)	To provide returns in line with short-term money market rates.

5.10 The investment managers should achieve the principal objective in the majority of three-year periods under consideration, with the exception of the SL Veritas Global Focus Pension Fund which aims to achieve its performance objective over a three to five year period as well as the SL Schroder Intermediated Diversified Growth Pension Fund and SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund which both aim to achieve their performance objectives over rolling five year periods.

It is not necessarily expected that active managers will achieve the targets in every three-year period. However, they should demonstrate that the skills exercised on the funds are consistent with these targets, and that the level of risk is appropriate. The investment managers will exercise their powers of discretion in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

Appendix – Statement of investment principles (continued)

5.11 While the investment managers may use derivative instruments within their pooled funds, the Trustee will not invest in derivative instruments except to contribute to a reduction of risks or facilitate efficient portfolio management.

Lifecycle strategies

5.12 In addition to the individual funds listed above, the Scheme makes available three lifecycle strategies: a Multi-Asset Lifecycle, an Annuity Lifecycle and a Cash Lifecycle. The default lifecycle strategy is the Multi Asset Lifecycle and is designed to be suitable for those not wishing to take investment decisions themselves whilst providing maximum flexibility at retirement for members to take benefits as they choose.

5.13 Each strategy consists of an accumulation phase, a transition phase (beginning 15 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age).

5.14 The accumulation phase is identical in each lifecycle strategy and is exclusively invested in equity funds, namely: 95% in the SL Overseas Tracker Pension Fund and 5% in the SL Vanguard FTSE UK All Share Index Pension Fund.

5.15 The transition phase is also identical in each strategy. The transition phase is designed to move from high growth to lower but more stable growth in the run-up to retirement. A portion of funds is gradually switched to bond and Diversified Growth Fund investments such that, when a member is five years away from their planned retirement age, their investments will be split broadly as follows:

- 31% in the Standard Life Overseas Tracker Pension Fund
- 2% in the SL Vanguard FTSE UK All Share Index Pension Fund
- 11% in the SL Schroder Intermediated Diversified Growth Pension Fund
- 11% in the SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund
- 33% in the Standard Life Corporate Bond Pension Fund
- 13% in the Standard Life Index Linked Bond Pension Fund

5.16 The pre-retirement phase for the Multi-Asset Lifecycle strategy continues to invest in the same funds as the transition phase, but with a further gradual reduction in risk level. By the time a member reaches their planned retirement age their investments will be split broadly as follows:

- 26% in the Standard Life Overseas Tracker Pension Fund

Appendix – Statement of investment principles (continued)

- 1% in the SL Vanguard FTSE UK All Share Index Pension Fund
- 9% in the SL Schroder Intermediated Diversified Growth Pension Fund
- 9% in the SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund
- 35% in the Standard Life Corporate Bond Pension Fund
- 20% in the Standard Life Index Linked Bond Pension Fund

The Multi-Asset Lifecycle strategy has been designed for members who wish to retain flexibility in the form in which they take their benefits at retirement, for example by transferring to a flexible income drawdown product.

5.17 The pre-retirement phase for the Annuity Lifecycle strategy gradually switches out of the funds used in the accumulation and transition phases, and into mixed bonds and money market funds. By the time a member reaches their planned retirement age the investments will be split 75% in the Standard Life Index Linked Bond Pension Fund and 25% in the Standard Life Deposit and Treasury Pension Fund.

The Annuity Lifecycle strategy has been designed to be suitable for members who take the maximum 25% tax-free cash at retirement and purchase an annuity with the remainder of their account.

5.18 The pre-retirement phase for the Cash Lifecycle strategy gradually switches out of the funds used in the accumulation and transition phases, and into money market funds. By the time a member reaches their planned retirement age the investments will be 100% invested in the Standard Life Deposit and Treasury Fund.

The Cash Lifecycle strategy has been designed to be suitable for members who wish to take the whole of their account as a cash lump sum at retirement.

5.19 Switching takes place linearly on a monthly basis.

6 Monitoring and Implementation

Monitoring

6.1 The appointment of the platform provider will be reviewed by the Trustee from time to time. In addition, the Trustee will review the performance of each of the funds by means of a quarterly report produced by the Scheme's platform provider and quarterly investment monitoring reports provided by the Scheme's investment consultants.

6.2 Funds may be replaced, for example, if:

a. They fail to meet the performance objectives set out in Section 5; and/or

b. The Trustee believes that the manager is not capable of achieving the performance objectives in the future. In this respect, they will look for advice from the Scheme's investment consultants.

6.3 Under the Scheme's rules, the Trustee may replace a fund, including transferring existing investments, without prior agreement or consultation with members if they believe this is appropriate.

6.4 The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultants.

6.5 The Trustee receives quarterly reports and verbal updates from the investment consultants on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the investment managers over 3-year periods.

6.6 The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

6.7 The Trustee shares the policies, as set out in this SIP, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Appendix – Statement of investment principles (continued)

Cost Transparency

6.8 The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of members' funds. It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its investment managers.

6.9 The Trustee therefore believes it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

6.10 Other costs of providing DC benefits (e.g. administration, communication, and adviser costs) are not charged to members.

6.11 The Trustee collects information on these member-borne costs and charges on an annual basis and sets these out in the Scheme's annual Chair's Statement which is made available to members in a publicly accessible location.

6.12 The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends.

6.13 No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment consultants to highlight if these costs and charges appear unreasonable when they are collected as part of the annual Chair's Statement exercise and investigate as required.

6.14 The Trustee assesses value for money received by members from the Scheme, including its investment managers, on a regular basis as part of the annual Chair's Statement exercise.

7 Risk Management

7.1 In addition to the investment risks outlined in section 3.4, the Trustee recognises a number of other risks involved in the investment of the assets of the Scheme:

- Mismatching risk – addressed through the provision of a range of funds with differing risk characteristics.
- Inappropriate investments – addressed through obtaining advice on the suitability of the funds used.
- Security of assets risk – addressed through obtaining advice on the level of security of the Scheme's assets, in relation to both the platform provider and the underlying funds. This advice includes an assessment of the circumstances when the Trustee may be eligible to make a claim under the Financial Services Compensation Scheme. Similar advice is provided whenever new funds are selected.

7.2 The Trustee continues to monitor these risks. The Trustee also maintains a Risk Register to consider a broad spectrum of possible risks and suitable mitigation strategies.

8 Default Arrangements

Primary Default Option

8.1 The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Multi-Asset Lifecycle strategy (outlined in the section 5) as the default arrangement for the Scheme.

8.2 The Multi-Asset Lifecycle strategy has been constructed following analysis of the membership of the Scheme. This analysis took into account factors such as age, salary, contribution level, accumulated fund values and term to retirement to identify different types of member in order to test alternative investment strategies. The design of the Multi-Asset Lifecycle strategy reflects this analysis, having carried out multiple simulations of future economic and investment scenarios, and also taking into account the various options that members will have regarding the way in which they draw their benefits in retirement.

8.3 The aim of the Multi-Asset Lifecycle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

8.4 The asset allocation throughout the Multi-Asset Lifecycle strategy and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

8.5 The outcomes of the Multi-Asset Lifecycle strategy will be reviewed periodically with reference to the manner in which members take their benefits from the Scheme. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

Secondary Default Option

8.6 A second default arrangement was created in April 2020 when trading in the Standard Life Pension Property Fund was suspended and it ceased accepting new contributions, as a result of the Covid-19 pandemic. This fund is only available to members as a self-select option.

Rather than leaving future contributions intended for the Property Fund uninvested, the Trustee decided to redirect these contributions into the Standard Life Deposit and Treasury Fund, until the suspension of the Property Fund was lifted.

As a result of such action, the Standard Life Deposit and Treasury Fund is classified as a default investment option for regulatory reporting and monitoring purposes.

8.7 The Trustee would have preferred to map the affected contributions to the Multi-Asset Lifecycle strategy (the primary default option), as this would allow members who had selected the Property Fund to retain similar growth potential for their affected contributions. However, members can only choose to be invested in a Lifecycle strategy or in a selection of self-select options, not a combination of both and therefore, the Trustee chose the Standard Life Deposit and Treasury Fund for affected contributions. At that time, the Trustee considered the Standard Life Deposit and Treasury Fund to be the most appropriate investment option in which to temporarily redirect the contributions intended for the Property Fund.

The Standard Life Deposit and Treasury Fund has historically experienced low levels of volatility and the Trustee understands it is most likely best placed to protect the value of these contributions from the funds available, on a short-term basis. The Trustee believes this course of action to be in the best interests of members.

It was also recognised that the Standard Life Deposit and Treasury Fund offers a relatively low member charge of 0.16% p.a. at the time of writing.

8.8 The Trustee's policies in relation to the default arrangements in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out in the previous sections.

Chair of Trustee

12 May 2022

Date

On behalf of the Trustee of the Allen & Overy Pension Scheme