PROVIDENT FINANCIAL STAFF PENSION SCHEME

Registered number: 10119828

Annual report for the year ended 31 May 2021

Annual report for the year ended 31 May 2021

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Trustees and advisers to the Scheme

Registration Number:	10119828
Trustees:	K J Mullen (Chairman) (Appointed 6 April 2021) KPJMS Limited (Chairman) (Resigned 5 April 2021) R J Glen * R G Pye E Shepherd S Smith * D H Stevenson * V Turner S B Wilkie * Member-Nominated Trustees
Secretary:	D G Whincup
Principal Employer: ("The Company")	Provident Financial plc No.1 Godwin Street Bradford BD1 2SU
Professional advisers:	
Administration Services:	Provident Financial plc
Actuaries and Consultants:	Willis Towers Watson Limited, Leeds
Auditor:	Crowe U.K. LLP, Manchester
Bankers:	Barclays Bank PLC, Bradford
Investment Adviser	Aon Solutions UK Limited, London
Scheme Actuary:	Richard Lawson FIA, Willis Towers Watson Limited
Solicitors:	Herbert Smith Freehills LLP, London
Investment managers:	Legal & General Assurance (Pensions Management) Limited, London PIMCO Global Advisors (Ireland) Limited, Dublin Insight Investment Management (Global) Limited (post 31 May 2021) Robeco Institutional Asset Management (post 31 May 2021)
Additional voluntary contribution providers:	Aviva UK Life and Pensions Ltd Scottish Equitable plc Utmost Life and Pensions Ltd Royal London Mutual Insurance Society Ltd

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme

Introduction

The Trustees present their report to members for the year ended 31 May 2021. The Trustees confirm that the financial statements for the year ended 31 May 2021 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The Scheme provides benefits for the qualifying staff of Provident Financial plc ("the Company") and certain of its subsidiary companies. It is established under, and governed by, a trust deed and rules dated 14 April 1960, and subsequent amendments. In accordance with the provisions of schedule 36 of the Finance Act 2005, the Scheme became a registered pension Scheme under chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006. The final salary section of the Scheme was contracted out under the provisions of the Pensions Act 1993. The Scheme is a Qualifying Scheme under the Auto-Enrolment provisions of the Pensions Act 2008.

The Scheme is administered by Trustees who are responsible for the affairs of the Scheme. There are currently eight Trustees who are appointed and removed by the Company. Appointment is effected by deed, removal by the giving of seven days' written notice. The procedure for the appointment of Trustees is in accordance with the Member-Nominated Trustee regulations of the Pensions Act 2004.

During the Scheme year there were six full Trustees' meetings. The Trustees' administration committee did not meet in the year but exchanged a number of emails in order to discuss and determine, amongst other things, early retirement and ill-health early retirement matters and the distribution of death benefits.

Statement of Trustees' responsibilities

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are 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 Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

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

The Trustees are responsible for the maintenance and integrity of the financial information of the Scheme included on the Scheme's website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Membership

The Scheme was closed to new employees who joined Provident Financial plc and certain of its subsidiary companies on or after 1 January 2003. The changes in membership are summarised below:

		Number
Participating staff:		
	Membership at 1 June 2020	62
	Retirements during the year	0
	Members leaving during the year	(2)
	Deaths	(0)
	Membership at 31 May 2021	**60**
Deferred pensioners:		
	Membership at 1 June 2020	3,130
	Members leaving during the year	29
	Members transferring benefits	(23)
	Pensions into payment/finalised	(107)
	Commuted pensions	(3)
	Deaths	(13)
	Membership at 31 May 2021	**3,013**
Pensioners:		
	Pensioners at 1 June 2020	2,813
	New pensioners during the year	162
	Commutations	(4)
	Deaths	(107)
	Pensioners at 31 May 2021	**2,864**

Note:
The above pensioners are those paid directly by the Scheme. At 31 May 2021 there were 208 (2020:232) pensions paid through annuities purchased with Legal & General. The income and expenditure represented by the pension payments is recognised in the financial statements.

Impact of Covid 19

The Scheme is well funded and has adopted a very prudent investment strategy which has proved incredibly resilient during the Covid 19 pandemic.

The Pensions Team that administers the Scheme has had to adopt hybrid working practices throughout the pandemic. All incoming post, phone calls and emails have been actioned promptly throughout this period. All pension payments have been made on time and all other benefit payments made in a timely fashion. All contributions have been paid on time, and funds invested and disinvested efficiently.

Going concern

The Trustees are responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis.

The Trustees have recently entered into a Flexible Apportionment Arrangement (FAA) with the employer so that there is now a sole statutory employer which has principal liability for all of the liabilities of the Scheme, previously there were 4 participating employers in the Scheme. Prior to entering into the FAA the Trustees undertook a covenant assessment review and it was agreed that the FAA would lead to an overall improvement in the Scheme's covenant.

The Trustees have determined that whilst there may be uncertainty in the future over the impact on the Employers' financial performance and resources, there is not a material uncertainty as to the Scheme's ability to continue as a going concern for the foreseeable future and the Trustees therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Contributions

In accordance with the rules of the Scheme, contributions are received from both members and employers. The members' contribution rates during the year were 5% of pensionable earnings and the employer paid contributions of 17.4% up to October 2019 and 19.3% thereafter.

Members' contributions during the Scheme year were paid via a salary sacrifice arrangement unless the member had opted out of that arrangement or had not been included in the arrangement due to the member's basic salary falling below the national minimum wage protection limit of £19,700 a year.

Benefits

In accordance with the rules of the Scheme, pensioners received the usual increase of 5.0% on the part of their pension which is in excess of their Guaranteed Minimum Pension in respect of pre-1 January 2000 pensionable service. Inflation measured as the annual increase in the RPI for the year to September 2019 was 1.13% and the increase awarded on that part of their pension in respect of post 1 January 2000 pensionable service was 1.13%.

Deferred pensioners who left service after 1 June 1985 have the amount of their deferred pension which is in excess of their Guaranteed Minimum Pension revalued in line with the Occupational Pensions (Revaluation) Orders. This is also in accordance with the rules of the Scheme. No discretionary increases were awarded during the year.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Tax Status

The Scheme was approved by the Inland Revenue as an exempt approved scheme under the Finance Act 1970 and from April 2006 became a registered Scheme under the terms of the Finance Act 2004.

Cash Balance section

From 31 December 2012 the members of the Final Salary section transferred to the Cash Balance section and all Final Salary benefits of members of both sections ceased to be linked to Final Pensionable Earnings from the same date. All members' Final Salary benefits were calculated as at 31 December 2012 and revalued thereafter on the statutory basis.

Following consultation with the active members the cash balance section was closed on 31st August 2021. Any active members were moved to the PFG Retirement Plan from 1st September 2021.

Cash equivalents

All transfer values paid in the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993. These payments were "cash equivalents" as defined by, and required to be so calculated under, the legislation. Transfer values do not take into account any future discretionary increases in pensions in payment in accordance with actuarial advice.

Investment managers

The Trustees have delegated the management of the Scheme's investments, except for members' additional voluntary contributions ("AVC") funds, to Legal & General Assurance (Pensions Management) Limited ("Legal & General") and PIMCO Global Advisors (Ireland) Limited ("PIMCO"). The AVC funds are managed by the providers shown in the table below. The Trustees are not involved in any day to day investment decisions relating to the Legal & General or PIMCO managed fund contracts or the AVC contracts.

Investment charges for Legal & General are payable quarterly at rates ranging between 0.03% and 0.45% per annum on the average offer value of the Scheme's holding in the Legal & General managed funds. Investment charges for Standard Life were deducted from the unit prices at rates ranging between 0.75% and 0.84% per annum on the average offer value of the Scheme's holding in the Standard Life managed funds. Investment charges for PIMCO are deducted from the unit prices at 0.55% per annum on the average offer value of the Scheme's holding in the PIMCO managed funds.

At 31 May 2021, the investments at bid values, except for Pimco that uses Net Asset Value pricing, excluding the annuity policies comprised:

	£	£	%
Legal & General	719,697,709.01		
PIMCO	143,828,535.66		
		863,526,244.67	**99.9**
AVC funds:			
Aviva	1,201,826.82		
Utmost	17,538.98		
Royal London	4,232.01		
Scottish Equitable	43,551.11		
		1,267,148.92	**0.1**
		864,793,393.59	**100.0**

Investment of the Scheme's assets is made in accordance with the Occupational Pension Schemes (Investments of Scheme's Resources) Regulations 1992.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Investment strategy

The Trustees take advice on investment strategy from Aon Solutions UK Limited.

Investment principles

The Trustees have adopted a Statement of Investment Principles as required by section 35 of the Pensions Act 1995. A copy of this statement may be obtained on request from the Secretary to the Trustees at the address shown on page 1 and is also available on the Pensions website (www.pfpensions.co.uk).

Employer-related investments

The Scheme had no direct employer-related investments at any time during the year. Shares in Provident Financial plc are held indirectly within the Legal & General Equity Index Fund. However, this is less than 1% of the total Scheme assets (2020: less than 1%). No shares in Provident Financial plc are held within the PIMCO Low Duration Income Fund.

Investment performance

The time-weighted investment performance of the Legal & General assets during the year for each of the Legal & General portfolios was +32.92% (equity portfolio) and -11.07% (bond portfolio).

The time-weighted investment performance of the PIMCO assets during the year was +8.03%.

The Scheme's investments (excluding annuity policies and AVCs) amounting to £863,526,244.67 (2020: £934,204,364.50), were invested in managed funds in the United Kingdom and overseas. The investments are freely marketable and the security of the investment is indicated by the fact that the managers of the fund control assets in excess of £1bn invested in a wide variety of UK and foreign equities, gilts and property. An analysis of investments is set out in note 9 to the financial statements.

Actuarial position

The latest actuarial valuation as at 1 June 2018 was completed and signed by the Scheme actuary on 23 October 2019. The Actuary's Certification of Technical Provisions is shown on page 40. The latest valuation showed a valuation deficit of £29.8m (2015 £11.0m) in respect of the value of benefits for past service.

On the advice of the Scheme actuary, and as agreed by the Company, the employer's ongoing contribution rate to fund future service benefits was set at 19.3% of pensionable earnings with effect from 1 November 2019 (previously 17.4%). The Company also agreed to pay deficit funding and expense contributions to the Scheme of £3.0m and £0.48m a year respectively from 1 November 2019 to 31 October 2023.

Further details of this valuation are set out in the Report on Actuarial Liabilities on page 36 of this report. Within the actuarial valuation an allowance was made of £8.4m for the estimated cost in respect of the consequences of GMP Equalisation brought about by the High Court judgement of 26 October 2018 in relation to Lloyds Bank. No accrual for this cost is included in these financial statements as detailed calculations have not been carried out.

The next actuarial valuation has an effective date of 1 June 2021 and work is underway on this.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Engagement Policy Implementation Statement

<u>Introduction</u>

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations amongst other things require that the Trustees produce an annual implementation statement which outlines the following:

- Explain how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the Trustees (including the most significant votes cast by Trustees or on their behalf) during the Scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement ("EPIS") for the Provident Financial Staff Pension Scheme ("the Scheme") has been prepared by the Trustees of the Scheme ("the Trustees") and covers the Scheme year from 1 June 2020 to 31 May 2021.

<u>Stewardship policy</u>

The Scheme's Stewardship Policy was significantly expanded in September 2020 and remained in place over the rest of the Scheme year to 31 May 2021, without change.

<u>SIP Extract – Stewardship</u>

The Trustees recognise that effective stewardship of the Scheme's assets is an important component of its fiduciary duty to the members and beneficiaries of the Scheme. More broadly, the Trustees have adopted an ESG integration approach within their investment decision making processes, whereby the Trustees seek to incorporate all financially material environmental, social and governance risks into investment decisions.

The Trustees have ultimate responsibility for the Scheme's investment strategy and have delegated day-to-day management of the Scheme's investments to appointed investment managers. The Trustees monitor their investment managers to ensure that their activities – including on stewardship and responsible investment more broadly – are aligned with the Trustees' requirements and policies as set out in this SIP.

The Trustees carefully review their investment managers' approaches to stewardship and other ESG-related matters and communicates its expectations and standards to its investment managers. These standards include an expectation that the Scheme's investment managers and, where relevant, underlying investment managers:

- *Use their influence as major institutional investors to exercise the Scheme's rights and duties as a shareholder.*
- *Engage with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.*
- *Consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.*
- *Provide adequate transparency to the Trustees around their stewardship activities.*

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

The Trustees will engage with their investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. The Trustees are supported in this by the investment consultant.

The Trustees review their investment managers' stewardship activities on an annual basis and includes a summary of its review in the annual report and accounts. As part of this review, the Trustees expect its investment managers to provide:

- *A summary of the investment managers' voting activities over the year, setting out in particular where votes were cast against management, votes against management were significant, votes were abstained, or voting differed from the voting policy of the investment manager.*
- *A summary of the investment managers' engagement activities over the year, including the objectives of the engagement and relevance to the fund, the methods of engagement, progress and perspectives around shortcomings and outcomes and procedures for managing unsuccessful engagements.*

Where voting is concerned, the Trustees expect their investment managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustees 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.

Scheme stewardship activity

Trustees' Training

In July 2020, the Trustees received Responsible Investment training from their investment adviser, Aon Solutions UK Limited ("Aon"), which provided the Trustees with an introduction to the Responsible Investment environment. The training also covered regulatory requirements, a recap of Aon's Environmental, Social and Governance ("ESG") ratings process, and a discussion of the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

Responsible Investment Beliefs Survey

In September 2020, following the Responsible Investment training, the Trustees reviewed the findings of an exercise designed to gather their collective views on Responsible Investment.

This exercise, together with the Responsible Investment training, assisted the Trustees in developing an in-depth policy for the Scheme's SIP addressing the Scheme's arrangements with investment managers, stewardship and how costs and performance are jointly assessed.

Appointment of New Investment Managers

In December 2020, the Trustees appointed two new investment managers to manage a portion of the Scheme's assets. Both Insight and Robeco were each appointed to manage c. 5% of the Scheme's overall portfolio in short-dated liquid credit mandates. Both investment managers are 'Buy' rated by Aon's manager research team and have ESG credentials in line with expectations, or better. The mandates are expected to be funded in 2021.

Ongoing Monitoring

The Trustees receive regular investment updates from their investment adviser, which include matters relating to Responsible Investment. The Trustees' ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc market updates and annual investment risk disclosures.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Investment Performance Monitoring

The Trustees receive, on at least a quarterly basis, monitoring reports from their investment adviser outlining the valuation of all investments held, the performance of these investments and any transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation for the Scheme.

Over the period, the Trustees collected cost data from the Scheme's investment managers, using the capabilities of a third party (ClearGlass). This cost data included explicit and implicit investment manager costs incurred by the Scheme in line with the Cost Transparency Initiative (CTI) templates. With this data the Trustees better understand the investment management costs incurred by the Scheme, relative to the investment outcomes generated by the Scheme's investment managers.

Investment Risk Disclosure

The Trustees report on the risks associated with its investments annually in the investment risk disclosure report which accompanies the annual reports and accounts. In this report, the Trustees monitor the risks associated within the Scheme's defined benefit investments, concentrating on market risks, credit risk, interest rate risk and inflation risk among others.

Voting and Engagement activity – Equity funds

Over the year, the Scheme was invested in the following equity funds with Legal and General Investment Management ("LGIM"):

Manager	Fund Name
LGIM	UK Equity Index Fund
	North America Equity Index Fund – GBP Currency Hedged
	Europe (ex UK) Equity Index Fund – GBP Currency Hedged
	Japan Equity Index Fund – GBP Currency Hedged
	Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency He
	World Emerging Markets Equity Index Fund

Voting policy

LGIM makes use of third-party provider Institutional Shareholder Services' proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. LGIM have put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what LGIM consider to be the minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

The voting statistics are outlined in the Appendix for all equity funds. The Trustees consider a significant vote to be one that LGIM deems to be significant, or a vote where more than 15% of the votes were against management.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Significant Voting Example – Pearson

This is a significant vote in relation to the UK Equity Index Fund investment.

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson.

At an extraordinary general meeting ("EGM") on 18 September 2020, the company put forward a resolution to amend the directors' remuneration policy and grant a co-investment share award, an unusual step for a UK company. If this resolution was not passed the proposed new Chief Executive Officer ("CEO") would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the chair of the Pearson's board about the plans for change in leadership and discussed the shortcomings of the company's remuneration policy. Additionally, LGIM relayed their concerns prior to the EGM that the performance conditions within the remuneration policy were not appropriate and should be re-evaluated to best align management incentives with those of the shareholders.

In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy. In all 33% of shareholders voted against the remuneration policy and by default against the appointment of the new CEO. While the proposal received sufficient support to be passed, the engagement highlighted concerns around governance, which LGIM has stated will be challenged through continued engagement going forward.

The vote was deemed significant given the unusual approach taken by the company and LGIM's outstanding concerns.

Significant Voting Example – Procter & Gamble

This is a significant vote in relation to the North America Equity Index Fund investment.

One example of a significant vote in October 2020 was in the case of The Procter & Gamble Company ("P&G") wherein LGIM voted in favour of a resolution to report on the effort to eliminate deforestation. P&G uses both forest pulp and palm oil as raw materials within its household goods products.

Palm oil and forest pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change.

Following a resolution proposed by another stakeholder, Green Century Capital Management, that P&G should report on their effort to eliminate deforestation in their supply chain, LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

From this engagement, LGIM voted in favour of the resolution as, although P&G introduced a number of measures to ensure their business does not contribute to deforestation, LGIM felt P&G was not doing as much as it could. LGIM has also asked P&G to respond to CDP (formerly Carbon Disclosure Project) Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from Forest Stewardship Council certified sources.

Significant Voting Example – Lagardère

This is a significant vote example in relation to Europe (ex UK) Equity Index Fund investment.

LGIM voted in favour of five proposed candidates and voted against five incumbent Lagardère directors.

Activist fund, Amber Capital, proposed the appointment of eight new directors to the supervisory board of Lagardère and the removal most of the incumbent directors.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Amber Capital made their proposal because, in their opinion, Lagardère's strategy was not creating value for shareholders, the board members were not sufficiently challenging management on strategic decisions and for governance failures. LGIM engaged with both Amber Capital and Lagardère, where they spoke to the proposed new Chair of the supervisory board and the incumbent Chair. This allowed LGIM to gain direct perspectives from the individual charged with ensuring the board includes the right individuals to challenge management.

The outcome of the vote was that shareholders did not give majority support to Amber Capital's proposal, but the resolution received a significant number of votes in favour (between 30-40%) which shows that many shareholders have concerns with the board.

This vote is deemed significant by LGIM because of the significant media and public interest on this vote given the proposed revocation of the company's board.

Significant Voting Example – Olympus Corporation

This is a significant vote in relation to the Japan Equity Index Fund investment.

In July 2020, LGIM voted against the Olympus Corporation to elect director Yasuo Takeuchi at a company' annual shareholder meeting held on 30 July 2020.

LGIM believe that every board should have at least one female director as a minimum standard. Globally, LGIM aspire to all boards comprising 30% women. In general, Japanese companies have lagged behind companies in other countries in ensuring more women are appointed to their boards. The lack of gender diversity is also a concern below board level. Last year in February 2019, LGIM sent letters to the largest companies in the MSCI Japan Index that did not have any women on their boards or at executive level, indicating that they expect to see at least one woman on the board. One of the companies written to was Olympus Corporation.

In the beginning of 2020, LGIM announced that they would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the Tokyo Stock Price Index (TOPIX100). LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue. The opposition to the re-election was unsuccessful as 94.90% of shareholders supported the election of the director, however, LGIM will continue to engage with and require increased diversity on all Japanese company boards.

Significant Voting Example – Whitehaven Coal

This is a significant vote in relation to the Asia Pacific (ex Japan) Equity Index Fund investment.

In October 2020, LGIM voted in favour of Whitehaven Coal. The resolution was to approve capital protection where shareholders are asking Whitehaven Coal for a report on potential wind-down of its coal operations, with the potential to return increasing amounts of capital to shareholders.

LGIM voted in the favour because of increasing uncertainty of coal utilization in future energy mix due to increasing competitiveness of renewable energy and coal being the most polluting fossil fuel. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects.

However, the resolution did not pass, as only 4% shareholders voted in favour. The environmental profile of Whitehaven Coal continues to remain in the spotlight. In late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

LGIM deemed this vote significant as it received media scrutiny and is emblematic of a growing wave of green shareholder activism.

Significant Voting Example – Samsung Electronics

This is a significant vote in relation to the World Emerging Markets Index Fund investment.

In March 2021, LGIM voted against management of Samsung Electronics on the following three resolutions:

1. Elect Park Byung-gook as Outside Director;
2. Elect Kim Jeong as Outside Director Resolution; and
3. Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member.

In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion (c£5.5Bn). Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, LGIM were not satisfied with the company's response that ties have been severed.

LGIM were concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, LGIM were not satisfied with the independence of the company board and that the independent directors were able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.

This engagement is currently ongoing and LGIM are continuing to monitor the company.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

LGIM's direct engagement with companies is a way they seek to identify ESG risks and opportunities. On-going dialogue with companies is a fundamental aspect of LGIM's Responsible Investment commitment. Investment teams and the Corporate Governance team regularly meet companies together. The Corporate Governance team meets with the various teams (such as the equity and fixed income teams) on a bi-weekly basis to share information gained from analysis and engagement activity.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

This is a forum for raising and discussing particular investment and ESG concerns, insights and updates. LGIM aims to raise the performance of the whole market through ESG capability and engagement of companies globally.

LGIM have also begun producing quarterly stewardship reports and more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q1-2021.pdf

Engagement activity – Fixed Income

The Scheme also invested in a number of fixed income strategies over the year.

Manager	Fund Name
LGIM	AAA-AA-A Corporate Bond All Stocks Index Fund
PIMCO	Low Duration Income Fund

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making. The following examples demonstrate some of the engagement activities being carried out on behalf of the Scheme over the year.

Legal & General Investment Management

The engagement policy described in the equity section is applicable for fixed income strategies. Below is an engagement example applicable to the LGIM fixed income fund in which the Scheme invests.

Engagement Example – BP

LGIM provided an engagement case study where it engaged with a credit issuer, the energy company BP. LGIM's investment stewardship team and BP had regular engagements in relation to their strategy and role in the energy transition. These topics included the long-term oil price assumption, credible targets to decarbonise the portfolio and commitment to achieve these targets. LGIM's key focus from a credit perspective was to re-enforce the stability of the credit rating and strength of the balance sheet as BP progresses towards de-carbonisation. In early 2020, BP announced a shift towards low-carbon energy and shrinking long term investment in fossil fuels. BP is now very well placed amongst its peer group in terms of a global decarbonisation efforts made in this space. Also, the Manager's decarbonisation targets are backed up by a new net debt target, reduced dividend payout, and a divestiture target which all point to an acceleration in deleveraging.

PIMCO

As stewards of capital, PIMCO believes their size and scale give them a special platform to engage with issuers, help lead the industry and drive positive change. Engagement is an essential tool for delivering impact for investors, markets and society. They believe engagement is not just about partnering with issuers that already demonstrate a unified approach to sustainability commitments, but also those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, society and the environment.

PIMCO's credit research analysts engage regularly with the issuers that they cover, discussing topics with company management teams related to corporate strategy, leverage and balance sheet management, as well as sustainability-related topics such as climate change targets and environmental plans, human capital management, and board qualifications and composition.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Further detail on PIMCO's policy can be found here: https://www.pimco.co.uk/en-gb/our-firm/policy-statements

Engagement example – DELL

In 2020 PIMCO engaged with DELL Inc regarding supply chain management. This engagement activity was undertaken solely by PIMCO and led by its engagement specialist and credit team. PIMCO engaged with Dell on the labour rights issues in their supply chain, including compliance on working hours and response and investigation on forced labour disputes. PIMCO encouraged the company to disclose supplier audit coverage and assurance progress for conflict mineral sourcing, including sub-tier suppliers, and make public commitments to 100% Responsible Minerals Assurance Process ("RMAP") for conflict mineral sourcing. As an outcome, Dell confirmed their audits cover much of their supply chain. Dell also updated disclosure on RMAP-conformant supplier list to maintain transparency. Dell is working to achieve 100% RMAP conformance for conflict mineral such as tin, tantalum, tungsten, gold and cobalt in 2021.

PIMCO will continue to engage with Dell on supply chain transparency and traceability.

In summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that most of their applicable asset managers were able to disclose strong evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Appendix – Voting Statistics
This below information relates to the specific funds the Scheme invests in.

LGIM Fund over the year to 31 March 2021	Number of resolutions eligible to vote on	% resolutions voted on	% resolutions voted against	% resolutions abstained
UK Equity Index Fund	12,574	100.0%	7.1%	0.0%
North America Equity Index Fund	9,495	100.0%	28.2%	0.0%
Europe (ex UK) Equity Index Fund	11,412	99.9%	15.3%	0.5%
Japan Equity Index Fund	6,518	100.0%	13.9%	0.0%
Asia Pacific (ex Japan) Developed Equity Index Fund	3,774	100.0%	25.8%	0.0%
World Emerging Markets Equity Index Fund	36,036	99.9%	13.4%	1.4%

Note: Voting Statistics are for the period 1 April 2020 to 31 March 2021. LGIM publishes voting statistics on a quarterly basis only.

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme (continued)

Further information

All members have received an explanatory booklet detailing the benefits and contributions applicable to the Scheme. Details of the Scheme are also available on the pensions website at www.pfpensions.co.uk

Personal benefit statements are issued each year and the publication 'Pension Matters' informs members of developments in the Scheme and pensions matters in general.

Requests for further information about the Scheme and enquiries about an individual's entitlement to benefits should be sent to the Secretary to the Trustees, Provident Financial Staff Pension Scheme, No.1 Godwin Street, Bradford BD1 2SU or via pensionenquiries@providentfinancial.com.

The Report of the Trustees including the Report on Actuarial Liabilities on page 36 and the Investment Reports on pages 44 and 45 were approved by the Trustees and signed on behalf of the Trustees by:

R G Pye [redacted])
) Trustees 22 December 2021

S B Wilkie [redacted])

Independent Auditor's Report to the Trustees of Provident Financial Staff Pension Scheme

Opinion

We have audited the financial statements of Provident Financial Staff Pension Scheme for the year ended 31 May 2021 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 May 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities the Trustees are responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are 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 Trustees either intend to wind up the Scheme or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Non-receipt of contributions due to the Scheme from the employer. This is addressed by testing contributions due are paid to the Scheme in accordance with the Schedule of Contributions agreed between the employer and Trustees.
- Payment of large transfers out to invalid schemes or members. This is addressed through testing that there is evidence the receiving scheme is valid, the member identity is verified and of the authorisation of the amount and approval of the payment of the transactions.

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

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

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

Use of our report

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

[redacted]

Crowe U.K. LLP
Statutory Auditor
Manchester

22 December 2021

Basis of preparation and identification of financial statements

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 FRS 102)— The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP') (2018) - Financial Reports of Pension Schemes, published by the Pensions Research Accountants Group ("PRAG').

The Scheme has been established as a trust, subject to English law. All enquiries should be sent to the address listed on page 1.

Accounting policies

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

Going concern
As stated in the Statement of Trustees' responsibilities the Trustees are responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis.

The Trustees have recently entered into a Flexible Apportionment Arrangement (FAA) with the employer so that there is now a sole statutory employer which has principal liability for all of the liabilities of the Scheme, previously there were 4 participating employers in the Scheme. Prior to entering into the FAA the Trustees undertook a covenant assessment review and it was agreed that the FAA would lead to an overall improvement in the Scheme's covenant.

The Trustees have determined that whilst there may be uncertainty in the future over the impact on the Employers' financial performance and resources, there is not a material uncertainty as to the Scheme's ability to continue as a going concern for the foreseeable future and the Trustees therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

The Trustees acknowledge the current outbreak of the coronavirus pandemic (COVID-19) which is causing economic disruption in most countries and its potentially adverse economic impact on the Scheme. At the point of signing the financial statements the Trustees have concluded that the Scheme's going concern will not be affected by the emergence of COVID-19 despite the economic impact creating increased market uncertainty and volatility.

Contributions
Employer deficit funding contributions are accounted for on the due dates on which they are paid under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.

Expense contributions are made by the Employer to reimburse costs and levies are accounting for in accordance with the Schedule of Contributions.

Benefits and payments to and on account of leavers
Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Payments to and on account of leavers
Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Administrative expenses
Administrative expenses are accounted for on an accruals basis, net of recoverable VAT.

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

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

All investment income is stated inclusive of any related recoverable taxation but net of any irrecoverable tax, including overseas withholding taxes and the costs of collection.

Income arising from insurance (annuity) policies held by the Trustee to fund benefits payable to Scheme members is included within investment income and is accounted for on an accruals basis.

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

Transactions costs
Transactions costs are included in the cost of purchases and sale proceeds. Transaction costs are charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Investment management expenses
Investment management fees and rebates are accounted for on an accruals basis, net of recoverable VAT.

Investments
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 pooled investment manager.

Annuity (insurance) policies purchased in the name of the Scheme and which provide benefits to members have been valued by the Scheme Actuary at the present value of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

AVC funds are included within the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the AVC provider at the year end.

Foreign currencies
The Scheme functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange at the date of the transaction.

Significant Judgements & Estimates
Other than annuities outlined above, the Trustees do not consider there to be any significant material judgements or accounting estimates.

Fund account for the year ended 31 May 2021

	Note	2021 £	2020 £
Contributions and benefits			
Contributions receivable – Employer Normal	1	549,188.17	617,039.61
Contributions receivable - Employer Smart	1	140,036.30	165,509.97
Contributions receivable - Employer Deficit Funding	1	3,000,000.00	1,750,000.00
Contributions receivable – Employer Expenses	1	480,000.00	480,000.00
Contributions receivable - Member	1	2,317.50	2,265.93
Contributions receivable - AVCs	1	14,700.00	21,640.00
Contributions receivable – PPF Levies	1	27,311.84	37,044.00
Other income	2	3,624.36	1,920.74
		4,217,178.17	3,075,420.25
Benefits paid or payable	3	21,712,715.68	22,590,649.63
Payments to and on account of leavers	4	6,859,189.89	14,330,096.71
PPF Levies	5	27,311.84	37,044.00
Administrative expenses	6	1,063,084.53	785,467.13
		29,662,301.94	37,743,256.67
Net withdrawals from dealings with members		(25,445,123.77)	(34,667,836.22)
Returns on investments			
Investment income	7	1,383,788.13	1,449,207.88
Investment management expenses	8	(633,615.93)	(541,160.01)
Change in market value of investments	9	(49,523,523.64)	125,177,506.96
Net returns on investments		(48,773,351.44)	126,085,554.83
Net increase/(decrease) in fund during the year		(74,218,475.21)	91,417,718.61
Net assets of the Scheme at beginning of year		951,992,139.63	860,574,421.02
Net assets of the Scheme at 31 May 2021		877,773,664.42	951,992,139.63

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of net assets (available for benefits) at 31 May 2021

	Note	2021 £	2020 £
Investment assets			
Pooled investment vehicles	8	863,526,244.67	934,204,364.50
Annuity policies	8	12,900,000.00	15,600,000.00
AVC investments	8	1,267,148.92	1,191,860.88
Current assets	10	1,517,203.43	1,997,243.07
Current liabilities	10	(1,436,932.60)	(1,001,328.82)
Net assets of the Scheme at 31 May 2021		877,773,664.42	951,992,139.63

These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme which does take account of such liabilities is dealt with in the statements by the Actuary on pages 40 and 41 of this Annual Report and the Report on Actuarial Liabilities on page 36, which should be read in conjunction with these financial statements.

These financial statements were approved by the Trustees and signed, on 22 December 2021, on their behalf by:

....[redacted]......... R G Pye

....[redacted]......... S B Wilkie

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 May 2021

	2021 £	2020 £
1 Contributions receivable		
Employers' contributions		
Normal	549,188.17	617,039.61
Smart	140,036.30	165,509.97
Deficit	3,000,000.00	1,750,000.00
Additional		
Expense contributions	480,000.00	480,000.00
Members' contributions		
Normal	2,317.50	2,265.93
Additional voluntary contributions	14,700.00	21,640.00
PPF Levies	27,311.84	37,044.00
	4,213,553.81	3,073,499.51

Deficit funding contributions became payable at the rate of £250,000 per month from 1 November 2019 in accordance with the Schedule of Contributions signed 23 October 2019.

2 Other income	2021 £	2020 £
Sundry income	3,624.36	1,920.74

3 Benefits paid or payable	2021 £	2020 £
Pensions	18,263,912.87	17,671,113.49
Commutations and lump sum retirement benefits	2,809,883.86	3,468,916.69
Purchase of annuities	592,214.46	1,390,063.36
Lump sum death benefits	46,704.49	60,555.09
	21,712,715.68	22,590,648.63

4 Payments to and on account of leavers	2021 £	2020 £
Individual transfers out to other schemes	6,859,189.89	14,078,952.30
Transfers on divorce	-	251,144.41
	6,859,189.89	14,330,096.71

Notes to the financial statements for the year ended 31 May 2021 (continued)

		2021 £	2020 £
5	**Other payments**		
	PPF Levies	27,311.84	37,044.00
		27,311.84	37,044.00

		2021 £	2020 £
6	**Administrative expenses**		
	Trustees' indemnity insurance	25,608.00	24,862.00
	Administration and processing	379,415.19	353,451.05
	Legal fees	146,031.36	16,359.84
	Actuarial fees	472,665.60	318,430.80
	Audit fees	18,000.00	14,040.00
	Employer Covenant Assessment fees	-	36,890.86
	Trustee Fees	19,727.92	19,784.09
	Sundry	1,636.46	1,648.49
		1,063,084.53	785,467.13

All other costs of administration are borne by the Provident Financial group of companies.

		2021 £	2020 £
7	**Investment income**		
	Legal & General Annuity Income	1,383,681.36	1,445,185.92
	Interest on cash deposits	106.77	4,021.96
		1,383,788.13	1,449,207.88

		2021 £	2020 £
8	**Investment management expenses**		
	Administration, management and custody	£633,615.93	£541,160.01

Notes to the financial statements for the year ended 31 May 2021 (continued)

9 Investment assets

All investments are managed by companies which are registered in the United Kingdom.

The Scheme's pooled investment vehicles are held under managed fund policies in the name of the Trustees. Income generated by these units is not distributed but retained in the market value of the units.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable. There have been no direct transaction costs during the year.

Pooled Investment Vehicles	**Market value at 31 May 2020**	**Purchases**	**Withdrawals**	**Change in market value**	**Market value at 31 May 2021**
Legal & General					
Equities	67,587,621.89	1,368,618,409.65	(432,735.47)	22,159,707.08	89,314,593.50
Bonds	773,426,271.01	9,912,171.09	(1,432,069,066.09)	(79,633,361.72)	630,342,252.85
Cash	533,607.76		(10,446,646.07)	41,729.88	40,862.66
PIMCO	92,656,863.84	197,192,710.42	(154,278,352.15)	8,257,313.55	143,828,535.66
Pooled Investment Vehicles	**934,204,364.50**	**1,575,723,291.16**	**(1,597,226,799.78)**	**(49,174,611.21)**	**863,526,244.67**
Annuities	15,600,000.00			(2,700,000.00)	12,900,000.00
AVC investments	1,191,860.88	14,700.00	(61,768.99)	122,357.03	1,267,148.92
Total Investments	**950,996,225.38**	**1,575,737,991.16**	**(1,597,288,568.77)**	**(51,752,254.18)**	**877,693,393.59**

Notes to the financial statements for the year ended 31 May 2021 (continued)

9 Investment assets

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

	2021 £	2020 £
PIMCO Credit	143,828,535.66	92,656,863.84
Equity	89,314,593.50	67,587,621.89
Gilts	–	588,568,306.94
Bonds	630,342,252.85	184,857,964.07
Cash	40,862.66	533,607.76
	863,526,244.67	934,204,364.50

The Scheme's investments in insurance policies at the year-end comprised:

	2021 £	2020 £
Annuities with Legal and General	12,900,000.00	15,600,000.00

The Scheme's investments in Additional Voluntary Contributions at the year-end comprised:

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

	2021 £	2020 £
AVC policies with Aviva	1,201,826.82	1,119,871.81
AVC policies with Utmost	17,538.98	14,999.83
AVC policies with Royal London	4,232.01	16,536.07
AVC policies with Scottish Equitable	43,551.11	40,453.17
	1,267,148.92	1,191,860.88

10 Current assets and current liabilities

	2021 £	2020 £
Assets		
Cash at bank and on deposit	1,489,871.38	1,994,762.58
Investment income due	20.21	71.73
Pension payroll	–	2,408.76
PPF Levies	27,311.84	–
	1,517,203.43	1,997,243.07
Liabilities		
Annuities to purchase	713,997.25	626,613.77
Pensions payable	23,286.38	12,532.54
Retirement lump sums payable	130,701.79	163,595.06
Trivial Commutations	43,784.44	–
Trustee Fees	4,727.92	–
Death benefits payable	1,175.64	14,841.10
Amount due to Legal & General	264,873.70	90,235.88
Administration	89,919.00	19,488.37
Bank charges	417.29	226.11
Audit fee	18,000.00	13,620.00
Actuarial/consultancy fee	69,922.02	19,680.00
Trustees' indemnity insurance	24,862.00	24,862.00
PAYE	24,090.17	15,633.99
PPF Levy	27,175.00	–
	1,436,932.60	1,001,328.82

11 Related party transactions

The administration of the Scheme is undertaken by Provident Financial plc which recharges the Scheme with a proportion of the costs of administration. The amount recharged during the year was £270,297.76 (2020: £260,016.46) which is included in administrative expenses in note 6. The amount outstanding at the year-end was £89,919.00 (2020: £19,488.37).

Three of the Trustees who served during the year were deferred members of the Scheme in accordance with the Rules of the Scheme. Two Trustees were in receipt of a pension in accordance with the Rules of the Scheme.

12 Contingent liabilities

The Scheme had no contingent liabilities at 31 May 2021 other than the liabilities to pay future pensions.

13 Cash balance section

The cash balance section of the Scheme, which is defined benefit in nature, was introduced on 1 April 2006 and on 1 January 2013 became the only section of this Scheme open to future accrual.

Employer Normal and Smart contributions in note 1 relate to the Cash Balance Section.

The benefits payable, the administrative expenses and the investments of the Scheme cannot be segregated between the Final Salary section and the Cash Balance section and consequently no separate disclosure has been made.

14 Types of risk relating to investments

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

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

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

- Currency risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- Interest rate risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

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

The Trustees determine the investment strategy after taking advice from a professional investment adviser after consulting with the Principal Employer. The Provident Financial Staff Pension Scheme ("the Scheme") has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

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

Notes to the financial statements for the year ended 31 May 2021 (continued)

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

		Market risk			May 2021	May 2020
Asset Allocation	Credit risk	Currency risk	Interest rate risk	Other price risk	**(£'000)**	**(£'000)**
Equities	✓	✓	✗	✓	**89,315**	**67,546**
Diversified Credit Strategies	✓	✓	✓	✓	**143,829**	**92,657**
Corporate Bonds	✓	✓	✓	✓	**225,550**	**184,509**
Government Bonds	✓	✗	✓	✓	**0**	**460,695**
LDI	✓	✗	✓	✓	**404,792**	**127,873**
Cash	✓	✗	✓	✗	**41**	**534**
Annuities	✓	✗	✓	✓	**12,900**	**16,600**
Total					**876,426**	**950,414**

Source: Investment Managers/Aon. Note: Numbers may not sum due to rounding.

In the table above, the risk noted affects the asset class [✓] or hardly/not at all [✗] as at 31 May 2021.

Investment strategy

The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the trust deed and rules as they fall due.

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

The target strategy (excluding annuities) in place as at 31 May 2021 was to hold:

- 30.0% in Growth assets comprising UK and overseas equities, diversified credit strategies and short dated credit.
- 70.0% in Matching assets that provide a hedge against the long-term liabilities of the Scheme, comprising liability driven investments, government bonds, corporate bonds and cash.

The actual allocation and target allocation in place as at 31 May 2021, excluding annuities, are shown in the table below:

Asset class	**Target allocation %**	**Actual allocation %**
Equities	10.0	10.3
Diversified credit	10.0	16.7
Short-dated credit	10.0	0.0
Corporate bonds	20.0	26.1
Gilts and LDI	50.0	46.9

In June 2020, the Scheme implemented tactical 5% overweight positions to both its diversified credit and corporate bond allocations. These overweight positions were funded by releasing cash from the Scheme's LDI portfolio whilst broadly aiming to maintain the liability hedge ratios. As at 31 May 2021, the Scheme's allocations to diversified credit and corporate bonds were 6.7% over the target weight of 10%, and 6.1% over the target weight of 20% respectively.

Notes to the financial statements for the year ended 31 May 2021 (continued)

The Trustees undertook changes to the Scheme's target asset allocation strategy during the year, increasing the total allocation to growth assets from 20% to 30% by introducing a 10% target allocation to short-dated credit strategies, and reducing the allocation to matching assets from 80% to 70%. The changes to the Scheme's investment strategy were agreed prior to 31 May 2021, however trading to implement these changes is due to take place after the year end, during Q4 2021.

Credit risk

The Scheme is directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Direct credit risk arising from pooled vehicles is mitigated by the underlying assets being ring-fenced from the pooled managers, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled managers.

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

	31 May 2021 Market Value (£000)	**31 May 2020 Market Value (£000)**
Open ended investment company	143,829	92,657
Unit linked insurance policy	719,657	841,157
Total	**863,485**	**933,814**

Source: Investment Managers/Aon. Note: Numbers may not sum due to rounding.

Indirect credit risk predominantly arises in relation to underlying investments held in corporate bonds. This risk is mitigated by investing in a diversified portfolio of high-quality bonds.

Credit risk associated with the Scheme's allocation to annuities is mitigated through the protections provided by the UK insurance regime.

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 (indirect exposure), including the equity and corporate bond investments managed by LGIM and the diversified credit strategy managed by PIMCO. The Scheme mitigates currency exposure in all of the overseas LGIM equity funds, except the Global Emerging Markets Fund, by investing in GBP hedged share classes. Currency risk is also mitigated by investing in PIMCO's GBP hedged share class, while LGIM hedges the currency risk associated with overseas bond holding back to GBP.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in annuities, as well as UK government bonds, corporate bonds, and derivative instruments through pooled investment vehicles, in order to match changes in the value placed on the Scheme's liabilities due to changes in interest rates. The Trustees have set a target for investments in corporate bonds and liability driven investments of 70% the total investment portfolio (excluding annuities). If interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly,

Notes to the financial statements for the year ended 31 May 2021 (continued)

if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

Other price risk arises principally in relation to the Scheme's growth portfolio which includes equities and diversified credit strategies held in pooled investment vehicles. The Scheme has set a target asset allocation of 30% of the total investment portfolio (excluding annuities) being held in growth investments.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various types of markets.

The Scheme is subject to inflation risk because some of the Scheme's investments are held in inflation-linked bonds and derivative instruments through pooled investment vehicles, as part of the Scheme's liability driven investment strategy. If inflation rises, the value of the inflation-linked investments will also rise to help match the increase in actuarial liabilities. Similarly, if inflation falls, the investments will also fall in value, as will the actuarial liabilities.

15 Fair Value Determination

The fair value of financial instruments has been determined using the following fair value hierarchy pursuant to FRS 102:

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

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted, and the vehicles are included in level 3 as appropriate.

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

As at 31 May 2021	Level 1 £	Level 2 £	Level 3 £	Total £
LGIM Equities	–	89,314,594	–	89,314,594
LGIM Bespoke Portfolio	–	630,342,253	–	630,342,253
LGIM Cash	–	40,863	–	40,863
PIMCO Diversified Credit	–	143,828,536	–	143,828,536
Total Pooled Investment Vehicles	–	**863,526,245**	–	**863,526,245**
LGIM Annuities	–		12,900,000	12,900,000
AVC Investments	–	1,267,149	–	1,267,149
Total Investments	–	**864,752,531**	**12,900,000**	**877,652,531**

Notes to the financial statements for the year ended 31 May 2021 (continued)

As at 31 May 2020	Level 1 £	Level 2 £	Level 3 £	Total £
LGIM Equities	-	67,545,852	-	**67,545,852**
PIMCO Diversified Credit	-	92,656,864	-	**92,656,864**
LGIM Corporate Bonds	-	184,508,992	-	**184,508,992**
LGIM Government Bonds	-	460,695,429	-	**460,695,429**
LGIM LDI	-	127,872,878	-	**127,872,878**
LGIM Cash	-	533,608	-	**533,608**
Total Pooled Investment Vehicles	-	**933,813,623**	-	**933,813,623**
LGIM Annuities	-	-	16,600,000	**16,600,000**
AVC Investments	-	1,191,331	-	**1,191,331**
Total Investments	-	**935,004,954**	**16,600,000**	**951,604,954**

16 Concentration of investments

The following investments each accounted for more than 5% of the Scheme's net assets at the year end.

	2021		2020	
	£	%	£	%
LGIM Bespoke Portfolio	630,342,253	73.0	–	0.0
PIMCO Low Duration Income Fund	143,828,536	16.7	92,656,864	9.7
LGIM AAA-AA-A Bonds All stocks Index	–		184,857,964	19.5
LGIM 2047 Gilt	–		99,486,210	10.5
LGIM 2060 Gilt	–		50,961,278	5.4
LGIM 2050 Index-Linked Gilt	–		49,707,688	5.2
LGIM 2055 Index-Linked Gilt	–		47,083,814	5.0

Independent auditor's statement about contributions to the Trustees of the Provident Financial Staff Pension Scheme

We have examined the summary of contributions to the Provident Financial Staff Pension Scheme for the Scheme year ended 31 May 2021 to which this statement is attached. In our opinion contributions for the Scheme year ended 31 May 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 23 October 2019.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

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

[redacted]

Crowe U.K. LLP
Statutory Auditor
Manchester

22 December 2021

Summary of contributions payable to the Scheme in respect of the year ended 31 May 2021

The contributions payable to the Scheme in respect of the year under the Schedule of Contributions were as follows:

	£
Employers' normal contributions	549,188.17
Employers' SmartPension contributions	140,036.30
Members' normal contributions	2,317.50
Employers' contribution re deficit funding	3,000,000.00
Employers' contributions re Scheme expenses	480,000.00
Employers' contributions re PPF Levies	£27,311.84
Total contributions payable under the Schedule	**£4,198,853.81**
Other contributions:	
Members' additional voluntary contributions	14,700.00
Total contributions in respect of the year	**£4,213,553.81**

Signed on behalf of the Trustees:

...[redacted].. R G Pye

...[redacted] S B Wilkie

Date: 22 December 2021

Report on Actuarial Liabilities (forming part of the Report of the Trustees)

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

The most recent full actuarial valuation of the Scheme was carried out as at 1 June 2018. This showed that on that date:

The value of the Technical Provisions was:	£850.8 million
The value of the assets at that date was:	£821.0 million

The Actuarial report as at 1 June 2018 estimated that the technical provisions funding level had decreased to 96.5% with a funding deficit of £29.8 million. The methods and significant actuarial assumptions used to determine the technical provisions are as follows.

Method
The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method. This means that the technical provisions will be calculated as the capital value of the prospective benefits arising from service completed before the date of the actuarial valuation on 1 June 2018. An allowance was included for the cost of adjusting benefits for the effect of GMP Equalisation of £8.4m.

Significant actuarial assumptions

Discount rate: A term-specific discount rate approach has been adopted. Non-pensioner and pensioner liabilities were derived from UK Government bond yields plus an additional 0.5% pa.

Retail Price Inflation (RPI): Term-specific assumptions based on the Bank of England's curve of future inflation expectations derived from UK Government bond yields at each duration.

Consumer Price Inflation (CPI): Term-specific Consumer Prices Index (CPI) assumptions are based on the RPI assumptions less a margin of 1.0% pa.

Pension increases: Derived from the term-specific rates for future Retail and Consumer Price Inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules. The long-term single equivalent assumptions adopted for each pension increase at 1 June 2019 are shown below:

	% pa
RPI (maximum 5%, minimum 0%)	3.15
RPI (maximum 3%, minimum 0%)	2.55
CPI (maximum 3%, minimum 0%)	2.1

Mortality: SAPS "S2" table, projected from 2002 in line with the CMI's core 2017 projection model using a long-term trend for improvements of 1.5% pa. A 99% multiplier is applied for pensioners.

Transfers out of the Scheme
Transfer values paid during the year in respect of transfers to other pension schemes have been calculated and verified by the Scheme Actuary in accordance with the Pension Schemes Act 1993.

Schedule of Contributions
Provident Financial Staff Pension Scheme ("the Scheme")

Date of schedule

This schedule has been prepared by the Trustees, after obtaining the advice of Richard Lawson, the actuary to the Scheme. It is dated 23 October 2019. This date applies for reference purposes only and it will become effective from the date of its actuarial certification.

Introduction

This schedule specifies, for the period from 23 October 2019 until 22 October 2024, the rates and due dates of Company and member contributions to the Scheme.

This schedule has been prepared in accordance with the requirements of the Pensions Act 1995. It is subject to review from time to time as required by legislation and by the Scheme's Trust Deed and Rules and following actuarial valuations.

The rates of contributions payable to the Scheme during the period of this schedule, and the due dates of these contributions, are as follows:

1 Employer contributions

The contributions that will be paid by each employer are set out below. For the avoidance of doubt, any employer can pay, with the agreement of Provident Financial plc (the "Company") or otherwise, any amount of contributions providing that that the total contributions paid by any given date equals or exceeds the contributions due by that date.

Except as outlined below, in respect of members who are accruing retirement benefits in the Scheme, each employer will contribute 19.3% of the member's Pensionable Earnings.

The Deed of Amendment dated 20 December 2010 acted to limit benefit increases such that the Annual Allowance is not exceeded, unless otherwise elected by the member. To the extent that this provision remains effective, the Company, if it so decides, might limit the contributions paid to the level of the Annual Allowance over any Scheme year (instead of 19.3% of Pensionable Earnings) for any individual. However, if the member subsequently requests to receive unrestricted benefits, then the Company will make a payment equal to the difference between 19.3% of Pensionable Earnings for the individual and the amount paid (as limited to the Annual Allowance). For members entitled to receive more than 20% of their Pensionable Earnings as an addition to their Retirement Account for each year of pensionable service and electing to receive benefits not restricted to the Annual Allowance, then the additional contribution required will be determined following advice of the Scheme Actuary, based on the assumptions set out in the Statement of Funding Principles.

In respect of the expenses of operating the Scheme, the employers will pay the contributions set out below. In addition, the employers will also pay an annual amount equal to the aggregate of any statutory levies that are paid from the Scheme's assets (including the Pension Protection Fund levy, if relevant) and will separately meet life assurance costs.

Employer	£ per month
Provident Financial plc	2,300
Provident Financial Management Services Limited	9,700
Provident Personal Credit Limited	27,800
Cheque Exchange Limited	200
Total	**40,000***

* the employers will be jointly and severally liable for this total amount noting that the split of contributions between employers shown in the table may be varied by the Company subject to total contributions being no less than £40,000 per month.

The actuarial valuation of the Scheme as at 1 June 2018 revealed a funding shortfall (technical provisions minus value of assets) of £29.8 million. The Trustees and the employers have agreed that additional contributions (i.e. contributions over and above those needed to cover benefits being earned in the future) will be paid to the Scheme, as follows:

Employer	From November 2019 to October 2023 £ per month
Provident Financial plc	14,250
Provident Financial Management Services Limited	60,750
Provident Personal Credit Limited	173,500
Cheque Exchange Limited	1,500
Total	**250,000***

* the employers will be jointly and severally liable for this total amount noting that the split of contributions between employers shown in the table may be varied by the Company subject to total contributions being no less than £250,000 per month.

In addition employers will contribute the amount payable on behalf of members, as set out below, under the salary sacrifice arrangements. All employer contributions are to be paid to the Scheme no later than the nineteenth of the calendar month following that to which the payment relates, but may be made in advance.

In respect of augmentations granted, the relevant employer will pay additional amounts to cover the cost of benefit augmentations within one month of the later of the date of granting the augmentation and the date on which the Trustees receive the details of the costs from the Scheme Actuary. The same timing will apply in respect of additional contribution requirements following a member request to receive benefits unrestricted by the Annual Allowance.

2 Employee contributions

Contributions by or on behalf of members will be at a rate of 5% of the Pensionable Earnings.

All employee contributions are to be paid to the Scheme no later than the nineteenth of the calendar month following that to which the payment relates. These amounts do not include members' additional voluntary contributions.

For the avoidance of doubt, references to Pensionable Earnings within this schedule should be taken as being inclusive of the amount sacrificed under the salary sacrifice arrangements.

[redacted] ancial Staff Pension Scheme:

Name: KEN MULLEN

Position: CHAIRMAN OF TRUSTEES

Date: 23 OCTOBER 2019

Signed and dated on behalf of Provident Financial plc:

Signed: [redacted]

Name: SIMON THOMAS

Position: CHIEF FINANCIAL OFFICER

Date: 23 OCTOBER 2019

Actuarial certificate of Schedule of Contributions

1 **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 June 2018 to be met by the end of the period specified in the Recovery Plan dated 23 October 2019.

2 **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 23 October 2019.

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

[redacted]
Fellow of the Institute of Actuaries
Willis Towers Watson

5 Wellington Place
Wellington Street
Leeds
LS1 4AP

Date: 23 October 2019

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Provident Financial Staff Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 1 June 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 23 October 2019.

[redacted]

Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson Company
23 October 2019

Willis Towers Watson
5 Wellington Place
Leeds
LS1 4AP

Provident Financial Staff Pension Scheme
Recovery Plan

Status

This recovery plan has been prepared by the Trustees of the Provident Financial Staff Pension Scheme (the "Scheme") after obtaining the advice of Richard Lawson, the actuary to the Scheme, and after obtaining the agreement of Provident Financial plc. For reference purposes it is dated 23 October 2019 (the date of the Trustees' meeting during which it was ratified).

The actuarial valuation of the Scheme as at 1 June 2018 revealed a funding shortfall (technical provisions minus value of assets) of £29.8 million.

Between 1 June 2018 and 31 January 2019 the employers have contributed £5.3 million in excess of the amount required under the Schedule of Contributions dated 8 March 2016.

Steps to be taken to ensure that the statutory funding objective is met

To eliminate this funding shortfall, the Trustees and the employers have agreed that additional contributions (ie contributions over and above those needed to cover benefits being earned in the future and those already paid between 1 June 2018 and 31 January 2019) will be paid to the Scheme as follows:

Employer	**From November 2019 to October 2023 £ per month**
Provident Financial plc	14,250
Provident Financial Management Services Limited	60,750
Provident Personal Credit Limited	173,500
Cheque Exchange Limited	1,500
Total	**250,000***

* The employers will be jointly and severally liable for this total amount, noting that the split of contributions between employers shown in the table may be varied by the Company subject to total contributions being no less than £250,000 per month.

The employers will make additional contributions to meet future service costs, scheme expenses and levy payments.

Period in which the Statutory Funding Objective should be met

The funding shortfall is expected to be eliminated by 31 October 2023. This expectation is based on the following assumptions:

- technical provisions calculated according to the method and assumptions set out in the statement of funding principles dated 23 October 2019;

- Scheme experience will be in line with the assumptions underlying the technical provisions, with an allowance for the return on assets during the period to be 0.35% pa in excess of the discount rates used to calculate the technical provisions.

Progress towards meeting the Statutory Funding Objective

It is expected that 50% of the additional contributions as described above will be paid within 24 months from the date of this recovery plan, i.e. by 19 October 2021.

Signed [redacted]

Signed: [redacted]

Name: SIMON THOMAS

Position: CHIEF FINANCIAL OFFICER

Date: 23 OCTOBER 2019

Si[redacted] Pension Scheme:

Si[redacted]

N[redacted]

Position: CHAIRMAN OF TRUSTEES

Date: 23 OCTOBER 2019

Provident Financial Staff Pension Scheme (Equities)

Managed Fund Policy Number MF 30803/000

Investment Report for the year ended 1 June 2021

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

LGIM Equities 3 June 2019: £67,974,614.13 1 June 2021: £89,314,593.50

Legal & General Investment Management - Portfolio Asset Performance

Client Sub-Account: 30803/000: Provident Financial Staff Pension Scheme (Equities)

Month End Date: May 2021

			Performance (%) Last 1 Year			Performance (%) None			Performance (%) None		
Sub-Account	**Asset**	**Bought/(Sold) Date**	**Client Return**	**Index Return**	**Relative Return**	**Client Return**	**Index Return**	**Relative Return**	**Client Return**	**Index Return**	**Relative Return**
30803/000: Provident Financial Staff Pension Scheme (Equities)	N - UK Equity Index Fund		23.22	23.13	0.09	-	-	-	-	-	-
	EE - North America Equity Index Fund - GBP Currency Hedged		39.33	39.40	(0.07)	-	-	-	-	-	-
	ED - Europe (ex UK) Equity Index Fund - GBP Currency Hedged		33.15	33.18	(0.03)	-	-	-	-	-	-
	EC - Japan Equity Index Fund - GBP Currency Hedged		26.63	26.70	(0.07)	-	-	-	-	-	-
	EF - Asia Pacific (ex Japan) Developed Equity Index Fd - GBP Ccy Hgd		41.68	42.04	(0.36)	-	-	-	-	-	-
	HN - World Emerging Markets Equity Index Fund		29.60	29.67	(0.07)	-	-	-	-	-	-
	Total		32.92	-	-	-	-	-	-	-	-

Where a period greater than one year has been requested, performance figures are annualised.
For some funds a comparator will be shown instead of an Index. Comparators are shown for information purposes and the portfolio is not managed against these.
The total line(s), where included, show the time-weighted returns i.e. taking out the effects of cash flow, for the total portfolio and where applicable its benchmark. Performance figures for any externally managed funds are excluded unless managed on the LGIM investment only platform.
All fund returns are shown before the deduction of charges except those funds marked '(Net)', '(chgs)' or '(charges included)'. Some index returns are net of fees.
All performance returns are for the entire period as stated, except where a bought or (sold) date denotes part period return. Bought dates are shown over one month, three months and since inception.
Performance figures are shown in the base currency of the selected account(s).
Performance figures are rounded to two decimal places. Performance figures to six decimal places may be obtained by downloading a CSV file of the data.
All performance returns for LGIM funds are on a mid mid basis. Where applicable, non-LGIM funds managed on the LGIM investment only platform will show performance based on the external manager(s) published prices, which are sometimes mid, bid or offer.
Past performance is no guarantee of future results.
Unless otherwise stated, the source of all information within this document is Legal & General Investment Management Ltd.
Legal & General Investment Management Limited provides investment services to Legal & General Assurance (Pensions Management) Limited, the operating company for the Managed Funds.

Issued by
Legal & General Assurance (Pensions Management) Limited
Registered Office: One Coleman Street, London EC2R 5AA

Telephone: 020 3124 3277

Registered in England and Wales. Registered No. 01006112

28 Oct 2021

Provident Financial Staff Pension Scheme (Bonds)

Managed Fund Policy Number MF 30803/001

Investment Report for the year ended 1 June 2021

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

LGIM Bonds 3 June 2019: £700,812,193.18 1 June 2021: £630,342,252.85

Legal & General Investment Management - Portfolio Asset Performance

Client Sub-Account: 30803/001: Provident Financial Staff Pension Scheme (Bonds)

Month End Date: May 2021

			Performance (%) Last 3 Months			Performance (%) Last 1 Year			Performance (%) None		
Sub-Account	Asset	Bought/(Sold) Date	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return
30803/001 Provident Financial Staff Pension Scheme (Bonds)	TLEJ - Bespoke (30803)		4.59	-	-	-	-	-	-	-	-
	Total		4.59	-	-	(11.07)	-	-	-	-	-

Where a period greater than one year has been requested, performance figures are annualised.
For some funds a comparator will be shown instead of an index. Comparators are shown for information purposes and the portfolio is not managed against these.
The total line(s), where included, show the time-weighted returns i.e. taking out the effects of cash flow, for the total portfolio and where applicable its benchmark. Performance figures for any externally managed funds are excluded unless managed on the LGIM investment only platform.
All fund returns are shown before the deduction of charges except those funds marked '(Net)', '(chgs)' or '(charges included)'. Some index returns are net of fees.
All performance returns are for the entire period as stated, except where a bought or (sold) date denotes part period return. Bought dates are shown over one month, three months and since inception.
Performance figures are shown in the base currency of the selected account(s).
Performance figures are rounded to two decimal places. Performance figures to six decimal places may be obtained by downloading a CSV file of the data.
All performance returns for LGIM funds are on a mid-mid basis. Where applicable, non-LGIM funds managed on the LGIM investment only platform will show performance based on the external manager(s) published prices, which are sometimes mid, bid or offer.
Past performance is no guarantee of future results.
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Registered in England and Wales. Registered No. 01006112

28 Oct 2021