PROVIDENT FINANCIAL STAFF PENSION SCHEME

Registered number: 10119828

Annual report for the year ended 31 May 2022

Annual report for the year ended 31 May 2022

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Trustees and advisers to the Scheme

Registration Number:	10119828
Trustees:	K J Mullen (Chairman) R J Glen * R G Pye E Shepherd S Smith * D H Stevenson * V Turner (Resigned 16 September 2022) S B Wilkie * Member-Nominated Trustees
Secretary:	S S Nimmo (Appointed 2 December 2021) D G Whincup (Resigned 1 December 2021)
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 UK 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 Robeco Institutional Asset Management Aon Solutions UK Limited, London
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 2022. The Trustees confirm that the financial statements for the year ended 31 May 2022 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 four 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)

Statement of Trustees' responsibilities (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 2021	60
	Retirements during the year	0
	Members leaving during the year	(60)
	Deaths	(0)
	Membership at 31 May 2022	**0**
Deferred pensioners:		
	Membership at 1 June 2021	3,013
	Members leaving during the year	60
	Members transferring benefits	(24)
	Pensions into payment/finalised	(96)
	Commuted pensions	(3)
	Deaths	(3)
	Membership at 31 May 2022	**2,947**
Pensioners:		
	Pensioners at 1 June 2021	2,864
	New pensioners during the year	127
	Suspended pensions	(10)
	Commutations	(1)
	Deaths	(84)
	Pensioners at 31 May 2022	**2,896**

Note:
The above pensioners are those paid directly by the Scheme. At 31 May 2022 there were 192 (2020:208) pensions paid through annuities purchased with Legal & General. The income and expenditure represented by the pension payments is recognised in the financial statements.

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

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.

In December 2021 the Trustees entered into a Flexible Apportionment Arrangement (FAA) with the employer so that there is a sole statutory employer which has principal liability for all of the Scheme liabilities. Prior to entering 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 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 up to 31st August 2021 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.

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.

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 2021 was 4.85% and the increase awarded on that part of their pension in respect of post 1 January 2000 pensionable service was 4.85%.

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.

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.

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

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 and the members' additional voluntary contributions ("AVC") funds to the managers and providers listed on page 1. 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 2022, the investments at bid values, except for PIMCO that uses Net Asset Value pricing, excluding the annuity policies comprised:

	£k	**£k**	**%**
Legal & General	498,818		
PIMCO	77,862		
Aon	42,933		
Insight	36,805		
Robecco	38,040		
		694,458	**99.9**
AVC funds:			
Aviva	866		
Utmost	17		
Scottish Equitable	23	**906**	
			0.1
		695,608	**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 (2021: 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 -1.82% (equity portfolio) and -22.49% (bond portfolio).

The time-weighted investment performance of the PIMCO assets during the year was -3.76%.

The Scheme's investments (excluding annuity policies and AVCs) amounting to £694,457,612 (2021: £863,526,245), 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 2021 was completed and signed by the Scheme actuary on 30 June 2022. The Actuary's Certification of Technical Provisions is shown on page 36 The latest valuation showed a valuation surplus of £33.7m (2018 deficit of £29.8m) in respect of the value of benefits for past service.

The Company agreed to pay expense contributions to the Scheme of £0.84m a year from 1 July 2022 to 30 June 2027.

Further details of this valuation are set out in the Report on Actuarial Liabilities on page 32 of this report. Within the actuarial valuation an allowance was made of £8.2m 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 2024.

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

Engagement Policy Implementation Statement

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustees and covers the Scheme year 1 June 2021 to 31 May 2022.

1. Introduction

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

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

2. Executive summary

Based on the activity over the Scheme year by the Trustees and their investment managers, the Trustees believe that the Scheme's stewardship policy, which covers voting and engagement, has been implemented effectively. The Trustees note that all their investment managers were able to disclose adequate evidence of voting or engagement activity.

While the Trustees recognise improvements in disclosures have been made over recent years, the Trustees expect future improvement 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. In particular, the Trustees expect improvements from LGIM, PIMCO and Mirova on their reporting of fund level engagement examples.

3. Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 May 2022.

The full SIP is publicly available and can be found at https://www.pfpensions.co.uk/cash-balance/documents-and-forms

- 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.
- 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.

- 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 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.

The Trustees updated the SIP once during the Scheme year, in September 2021. The update was made to reflect changes to the global equity holdings within the return seeking portfolio.

4. Scheme stewardship activity over the year

4a. Ongoing monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports provided to the Trustees by their investment adviser, Aon. The Trustees use these reports to monitor the performance, strategic asset allocation and risk management of the Scheme's investment strategy. The reports outline the valuation of all investments held, the performance of these investments and any transactions made during the quarter. Investment returns are compared against 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.

The quarterly monitoring reports also include ESG ratings and highlight any areas of concern, or where action may be required. Aon's ESG rating system is used across Aon Buy-rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment, active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

4b. Manager meetings

The Trustees meet with the Scheme's appointed investment managers on a regular basis and receive updates on performance, strategic positioning and stewardship.

The Scheme is invested in the PIMCO Low Duration Income Fund. PIMCO attended the March 2022 Trustee meeting and provided the Trustees with an update on the Fund, including an update on stewardship and ESG integration.

4c. Manager appointments

In June 2021, the Trustees received a training session from Aon on different equity investment approaches, including different approaches to Environmental, Social and Governance ('ESG') integration. This training session assisted the Trustees in reviewing their existing passive equity investment approach, where it was concluded that the existing approach could be improved to better align with the Trustees' core beliefs around ESG integration.

Following this review, two new managers were appointed to manage the Scheme's equity investments via a factor-based approach (LGIM Global Developed Four Factor Scientific Beta Index Fund) and an impact equity approach (AIL Global Impact Equity Strategy). The manager's ESG credentials were actively considered by the Trustees to ensure they were aligned with the Scheme's policies and the Trustees' core beliefs. Implementation of both new managers was completed during the Scheme year to 31 May 2022.

4d. Company consultation

The Trustees believe that the views of the Company, where applicable, should be aligned to the Trustees' policies and objectives. The Company is consulted with any amendments to the SIP.

5. Voting and engagement activity – equity funds

Over the year, the material equity investments held by the Scheme were:

Legal and General Investment Management Limited ("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 Hedged
	World Emerging Markets Equity Index Fund
	Global Developed Four Factor Scientific Beta Index Fund
Aon Investments Limited ('AIL')	Aon Global Impact Equity Strategy

In this section there are examples of significant voting activity for each of the Scheme's relevant managers. A summary of voting statistics can be found in the appendix. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g., more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustees consider inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustees consider a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

5a. Legal and General Investment Management ("LGIM")

Voting

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate; for example, if engagements with the company have provided additional information.

Voting example - UK Equity Index Fund

In February 2022, LGIM voted against the resolution to re-elect Drummond Hall as a Director for Sage Group Plc. LGIM voted in this way because it believes that there is lack of gender diversity on the board. It considers issues around diversity and inclusion to be a material risk to companies and it expects boards to have at least one-third female representation. 94.4% of shareholders voted in favour of the resolution. LGIM deemed this vote significant as it views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf.

Voting example - Europe (ex UK) Equity Index Fund - GBP Currency Hedged

In March 2022, LGIM voted against the re-election of Peter Voser as director and board chairman for the company ABB Ltd. A vote against was applied as LGIM expects a company to have a diverse board. LGIM expects companies to increase female participation both on the board and in leadership positions over time. The vote passed with a 79% majority. LGIM stated it will continue to engage with companies on this topic.

Voting example - Japan Equity Index Fund - GBP Currency Hedged

In June 2021, LGIM voted in favour of a shareholder proposal for financial services company, Mitsubishi UFJ Financial Group, which called for the company to disclose a plan outlining its business strategy to align investments with the goals of the Paris Agreement. LGIM supported the proposal as it expects companies to be taking sufficient action on climate change, which it views as a financially material issue for its clients. It was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

The vote did not pass. While LGIM positively notes the company's recent announcements of its net-zero targets and exclusion policies, it thinks these commitments could be strengthened. LGIM will continue to engage with the company on this important ESG issue.

Voting example - Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged

In May 2022, LGIM voted in favour of a resolution to approve a climate risk management plan for the company QBE Insurance Group Limited. A vote supporting this proposal was warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's commitments and recent global energy scenarios. This includes, but is not limited to, stopping investments towards the exploration of new greenfield sites for new oil and gas supply. The vote did not pass, with only 19% of shareholders voting in favour.

Voting example - World Emerging Markets Equity Index Fund

In 2021, LGIM voted against a resolution to approve Report of the Board of Directors for China Construction Bank Corporation. LGIM voted in this way because the company is deemed to not meet minimum standards with regards to climate risk management and disclosure. LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

Voting example - Global Developed Four Factor Scientific Beta Index Fund

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement

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.

LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

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

At the time of writing, LGIM had not provided engagement examples for the funds. The Trustees' investment adviser, Aon, has engaged at length with LGIM regarding its lack of fund level engagement reporting. LGIM confirmed it is working towards producing this in the second half of 2022. The example provided below is at a firm level, i.e. it is not specific to the funds the Scheme is invested in.

Engagement example (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

5b. Aon Investments Limited

The Trustees invest the Scheme's assets in a fund of fund arrangement with AIL, through the Global Impact Equity Strategy. The below voting and engagement examples are for the underlying investment managers within the Global Impact Equity Strategy.

5b(i). Nordea Asset Management ("Nordea") – Global Climate and Environmental Fund

Voting

Nordea's policies and principles define how it approaches corporate governance-related matters, the incorporation of ESG considerations in its investment processes and how shares are voted. A committee has been set up to ensure appropriate handling of governance matters, and the operational responsibility rests with the Corporate Governance function. The Corporate Governance function and the Responsible Investment team work together closely.

Nordea uses proxy voting adviser, ISS, for proxy voting, vote execution and research. Generally, Nordea focuses its stewardship efforts on companies on which it can have an impact, such as firms in which it has a substantial ownership share. In addition, Nordea puts extra emphasis on companies which it owns in its ESG-enhanced products.

Voting example

In May 2021, Nordea voted against the management of Republic Services Inc., by voting in support of a shareholder resolution to report on integrating ESG metrics into executive compensation. Nordea is strongly in favour of including ESG metrics in executive compensation. Further, other similar companies have started integrating ESG metrics into their executive performance evaluations. The resolution did not pass but Nordea will continue to vote for such proposals. Nordea considered this vote to be significant based on the portfolio weight of the company at the time of voting and on its alignment to Nordea's corporate governance principles.

Engagement

Nordea sees engagement as a crucial part of its Responsible Investment philosophy and framework. Nordea's engagement activities combine the views of its portfolio managers, financial analysts and ESG specialists to establish engagement objectives. Nordea conducts engagements with companies through face-to-face meetings, conference calls, letters or field visits. Nordea uses engagements to improve its understanding of the companies it invests in and to influence them.

Nordea has established six principles which guide its engagements:

- Act in the long-term interest of shareholders
- Safeguard the rights of all shareholders
- Ensure efficient and independent board structure
- Align incentive structure of employees with the long-term interest of shareholders
- Disclosure information to the public in a timely, accurate and adequate manner
- Ensure social, environmental and ethical accountability

More information on Nordea's engagement policy can be found at https://www.nordea.lu/documents/static-links/NIM_AB_Engagement_Policy.pdf/

Engagement example

In 2021, Nordea engaged with the waste management company, Cleanaway, to better understand the company's diversity strategy and environmental agenda. Nordea had several calls with the CEO and the Chair of the company. The engagement helped Nordea understand the potential areas of development, such as the adoption of science-based targets as well as a thorough analysis of the company's current sustainability profile. Nordea encouraged the company to set long- term environmental and diversity goals. Nordea will continue to monitor progress and engage further if necessary.

5b(ii). Mirova - Global Sustainable Equity Fund

Voting

Mirova uses Institutional Shareholder Services ("ISS") as a voting platform for ballot collecting, vote processing and record-keeping, and research. Mirova's Sustainable Investment Research team is responsible for defining the manager's voting principles. The team analyses all voting decisions and resolutions. Voting decisions are made in accordance with Mirova's voting policy. Mirova uses a variety of materials and information when analysing voting matters, including the issuer's proxy statement, its own research, and research provided by other third parties. Voting decisions also consider the information Mirova gains during engagement discussions. Voting decisions are the responsibility of Mirova's Voting Committee. Portfolio managers and financial analysts may also be invited to participate in the committee's deliberations.

Voting example

In June 2021 Mirova voted against the management of Ebay, a multinational e-commerce company, on a shareholder proposal to improve the executive compensation program to include the CEO pay ratio factor. The CEO pay ratio is calculated by dividing the CEO's compensation by the pay of the median employee. Mirova voted in support of the proposal because fair distribution of value is a key part of its investment philosophy. Incorporating the pay disparity between the CEO and the company employees would allow pay to be more equitable throughout the organisation. The vote failed but Mirova used this vote as an opportunity to discuss this topic with the company.

Engagement

Mirova's engagements are underpinned by the message that a company must provide transparent information to its stakeholders to accurately communicate its current situation and future plans. Mirova engages with companies on an ongoing basis each year. It focuses on the environmental and social challenges and practices of each company, and their contribution to the United Nations Sustainable Development Goals, a set of global goals designed to achieve a better and more sustainable future for all.

Mirova's engagement themes are:

- Concrete actions on the most pressing sustainable development issues including mitigating climate change, preserving biodiversity, protecting human rights and reducing inequalities.
- Integration of sustainability at the core of companies' governance and enhanced transparency on sustainability impacts.

At the time of writing Mirova had not provided a fund level engagement example. The Trustees' investment adviser, Aon, will engage with Mirova to encourage it to report on its fund level engagement activities in future. The example provided below is at a firm level i.e. it is not specific to the fund the Scheme is invested in.

Engagement example (firm level)

Over recent years, Mirova has engaged with technology company, Alphabet, on its human rights policies and whistle-blowing policies. Mirova attempted to engage with Alphabet through collaborative engagements with PRI investors and Share Action but Alphabet did not respond. In 2021, Mirova co-filed a shareholder resolution at Alphabet's annual general meeting, requiring the Board of Directors to oversee a third-party review analysing the effectiveness of its whistle-blower policies in protecting human rights. This request was made in light of repeated allegations by former employees of mishandled complaints and abusive termination of whistle-blowers. Despite the large shareholdings of Alphabet's founders and executives, and the negative voting recommendation issued by proxy voting adviser ISS, a material proportion of votes (10%) supported the proposal. As a result of Mirova's engagement attempts, it has downgraded Alphabet's risk rating.

6. Engagement activity – fixed income funds

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 so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the year.

6a. Pacific Investment Management Company ("PIMCO") - Low Duration Income Fund

Engagement

PIMCO believes engagement is an essential tool for delivering impact for investors. It believes that engagement can be partnering with issuers that already demonstrate strong sustainability commitments and those with less advanced sustainability practices. PIMCO believes that this can be a way for it to influence positive change that may benefit investors, employees, society and the environment.

PIMCO's credit research analysts engage regularly with issuers, 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.

PIMCO states that for non-ESG dedicated portfolios, such as the PIMCO fund in which the Scheme invests, there is no explicit objective to actively engage with ESG issuers on sustainability practices. However, it may benefit from the intensive engagement work pursued in the ESG dedicated portfolios, given that issuers may be held in both strategies.

At the time of writing, PIMCO did not provide an engagement example relevant to the fund the Scheme is invested in. The Trustees' investment advisor, Aon, will engage with PIMCO to encourage it to report on its fund level engagement activities in future. The example provided below is at a firm level, i.e., it is not specific to the fund the Scheme is invested in.

Engagement example (firm level)

In 2021, PIMCO engaged with the West African Development Bank regarding an emerging market impact-oriented sustainability bond. The bank gives itself a target of investing 25% of its total financing budget into projects that have environmental benefits. The engagement resulted in a sustainability bond being issued by the West African Development Bank primarily aimed towards refinancing social projects that increase access to basic services in West Africa.

Since the issue of the sustainability bond, PIMCO has continued to engage with the issuer on the projects that the bond is financing. From this engagement, PIMCO noted that the new issuance will be used to fund green and social projects. These include the construction of a solar power plant and a smart hydro-agricultural development. In particular, the West African Development Bank committed to increase its green investments in line with the targets set in its environmental and climate strategic plan.

6b. Insight Investment Management ("Insight") – Short Dated Buy & Maintain Fund

Engagement

Insight proactively engages on industry and regulatory issues that have implications for its clients and the wider market. Insight's credit analysts regularly meet with issuers to discuss ESG-related related issues.

Insight's engagements inform the credit analysts' views of companies and provide a platform for increased transparency on ESG issues and ongoing engagement to change company behaviour, where appropriate.

The credit analysts identify the engagement issues relevant for each issuer. If Insight does not already have regular meetings with a company's management, its investment teams will request a meeting with them. Where this is not possible, or if Insight deems additional action to be needed, Insight may consider raising issues with the company's broker. If Insight does not receive a response from the issuer when it engages with it then Insight will lead a wider collaborative initiative, via the PRI or with other investors, to achieve greater influence over the issuer. It is involved in long-term initiatives such as Climate Action 100+ (CA100+).

Engagement example

In Q2 2021, Insight engaged with a natural gas company, ExxonMobil ("Exxon"). Insight engaged with Exxon on the limited efforts it had made to mitigate its impact on biodiversity and its slow progress reducing its carbon emissions.

Exxon committed to reducing its greenhouse gas emissions by 30% for the exploration and initial production stages of its business. However, Insight noted this accounts for less than half of its total emissions. Exxon also reported that it was not making any renewable energy investments. Instead, it is focused on innovative technology that aims to removes carbon dioxide from the atmosphere. At present, Insight note that this technology is yet to yield any conclusive and scalable results.

As a result of the Exxon's lack of response to the engagement and Insight's low climate risk rating for the company, Insight sold it's holding in Exxon across its Buy and Maintain portfolios.

6c. Legal and General Investment Management Limited ("LGIM") – Buy & Maintain Credit Fund

Engagement

The engagement policy and example described in the equity section is also applicable to LGIM's fixed income strategies.

7. Conclusion

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 note the use of firm level (i.e. not specific to the strategies invested in by the Scheme) engagement examples from LGIM, PIMCO and Mirova. The Trustees expect further 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.

Appendix

Voting Statistics for the year ending 30 June 2022

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
UK Equity Index Fund	10,901	100.0%	6.1%	0.0%
North America Equity Index Fund - GBP Currency Hedged	8,375	99.4%	34.3%	0.1%
Europe (ex UK) Equity Index Fund - GBP Currency Hedged	10,274	99.8%	18.1%	0.5%
Japan Equity Index Fund - GBP Currency Hedged	6,293	100.0%	11.6%	0.0%
Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged	3,630	100.0%	27.8%	0.0%
World Emerging Markets Equity Index Fund	35,160	100.0%	18.9%	2.3%
Global Developed Four Factor Scientific Beta Index Fund	11,814	99.7%	20.3%	0.2%
Baillie Gifford – Positive Change Fund	342	100.0%	2.1%	0.3%
Nordea – Global Climate and Environmental Strategy	763	99.1%	10.8%	0.0%
Mirova - Global Sustainable Equity Fund	651	100.0%	42.0%	1.0%

Source: Investment managers, Aon

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

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 32 and the Investment Reports on pages 37 to 38 were approved by the Trustees and signed on behalf of the Trustees by:

K J Mu[redacted]stees 22 December 2022

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

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 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 2022

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.

In December 2021 the Trustees 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 Scheme liabilities. 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 therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

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 2022

	Note	2022 £000's	2021 £000's
Contributions and benefits			
Contributions receivable – Employer Normal	1	157.70	549.19
Contributions receivable - Employer Smart	1	40.23	140.04
Contributions receivable - Employer Deficit Funding	1	3,000.00	3,000.00
Contributions receivable – Employer Expenses	1	480.00	480.00
Contributions receivable - Member	1	0.62	2.32
Contributions receivable - AVCs	1	3.60	14.70
Contributions receivable – PPF Levies	1	15.33	27.31
Other income	2	3.00	3.62
		3,700.48	4,217.18
Benefits paid or payable	3	22,006.70	21,712.72
Payments to and on account of leavers	4	10,047.47	6,859.19
PPF Levies	5	15.33	27.31
Other Payments	5	0.30	-
Administrative expenses	6	1,224.10	1,063.08
		33,293.89	29,662.30
Net withdrawals from dealings with members		(29,593.41)	(25,445.12)
Returns on investments			
Investment income	7	1,566.28	1,383.79
Investment management expenses	8	(753.61)	(633.62)
Change in market value of investments	9	(142,816.56)	(49,523.52)
Net returns on investments		(142,003.89)	(48,773.35)
Net increase/(decrease) in fund during the year		(171,597.30)	(74,218.48)
Net assets of the Scheme at beginning of year		877,773.66	951,992.14
Net assets of the Scheme at 31 May 2022		706,176.36	877,773.66

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

Statement of net assets (available for benefits) at 31 May 2022

	Note	2022 £000's	2021 £000's
Investment assets			
Pooled investment vehicles	9	694,457.61	863,526.24
Annuity policies	9	10,600.00	12,900.00
AVC investments	9	906.31	1,267.15
Current assets	10	1,781.07	1,517.20
Current liabilities	10	(1,568.63)	(1,436.93)
Net assets of the Scheme at 31 May 2022		706,176.36	877,773.66

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 33 to 36 of this Annual Report and the Report on Actuarial Liabilities on page 32, which should be read in conjunction with these financial statements.

These financial statements were approved by the Trustees and signed, on 22 December 2022, on their behalf by:

[redacted]

K J Mullen

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 2022

		2022	2021
		£	£
1	**Contributions receivable**		
	Employers' contributions		
	Normal	157.70	549.19
	Smart	40.23	140.04
	Deficit	3,000.00	3,000.00
	Additional		
	Expense contributions	480.00	480.00
	Members' contributions		
	Normal	0.62	2.32
	Additional voluntary contributions	3.60	14.70
	PPF Levies	15.33	27.31
		3,697.48	4,213.56

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 and these ceased with effect from 30/06/2022.

		2022	2021
2	**Other income**	**£000's**	**£000's**
	Sundry income	3.00	3.62

		2022	2021
3	**Benefits paid or payable**	**£000's**	**£000's**
	Pensions	18,644.97	18,263.91
	Commutations and lump sum retirement benefits	2,445.57	2,809.88
	Purchase of annuities	870.44	592.21
	Lump sum death benefits	45.72	46.70
		22,006.70	21,712.70

		2022	2021
4	**Payments to and on account of leavers**	**£000's**	**£000's**
	Individual transfers out to other schemes	9,907.72	6,859.19
	Transfers on divorce	139.74	-
		10,047.47	6,859.19

Notes to the financial statements for the year ended 31 May 2022 (continued)

		2022 £000's	2021 £000's
5	**Other payments**		
	PPF Levies	15.33	27.31
	Sundry payment	0.30	
		15.63	27.31

		2022 £000's	2021 £000's
6	**Administrative expenses**		
	Trustees' indemnity insurance	0.00	25.61
	Administration and processing	495.05	379.42
	Legal fees	81.16	146.03
	Actuarial fees	595.63	472.67
	Audit fees	22.50	18.00
	Employer Covenant Assessment fees	0.00	0.00
	Trustee Fees	28.37	19.73
	Sundry	1.39	1.64
		1,224.10	1,063.10

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

		2022 £000's	2021 £000's
7	**Investment income**		
	Legal & General Annuity Income	1,267.70	1,383.68
	PIMCO dividend income	298.43	
	Interest on cash deposits	0.15	0.11
		1,566.28	1,383.79

		2022 £000's	2021 £000's
8	**Investment management expenses**		
	Administration, management and custody	753.61	633.62

Notes to the financial statements for the year ended 31 May 2022 (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 2021 £000's**	**Purchases 000's**	**Withdrawals 000's**	**Change in market value 000's**	**Market value at 31 May 2022 000's**
Legal & General					
Equities	89,314.59			(46,373.11)	42,941.48
Bonds	630,342.25		(90,575.48)	(83,889.72)	455,877.05
Cash	40.86			(40.86)	0.00
PIMCO	143,828.54		(61,114.26)	(5,026.99)	77,687.29
Cash				174.23	174.23
Aon		47,870.00		(4,936.95)	42,933.05
Insight		37,300.00	(17.53)	(477.97)	36,804.50
Robeco		38,000.00		40.01	38,040.01
Pooled Investment Vehicles	**863,526.24**	**123,170.00**	**(151,707.27)**	**(140,531.36)**	**694,457.61**
Annuities	12,900.00			(2,300.00)	10,600.00
AVC investments	1,267.15	3.60	(379.24)	14.80	906.31
Total Investments	**877,693.39**	**123,173.60**	**(152,086.51)**	**(142,816.56)**	**705,963.92**

Notes to the financial statements for the year ended 31 May 2022 (continued)

9 Investment assets

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

	2022 £000's	2021 £000's
PIMCO Credit	77,861.51	143,828.54
Equity	42,941.48	89,314.59
Gilts		
Bonds	455,877.05	630,342.25
Cash	0.00	40.86
Aon	42,933.05	-
Insight	36,804.50	-
Robeco	38,040.01	-
	694,457.60	863,526.24

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

	2022 £000's	2021 £000's
Annuities with Legal and General	10,600.00	12,900.00

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:

	2022 £000's	2021 £000's
AVC policies with Aviva	866.44	1,201.83
AVC policies with Utmost	17.06	17.54
AVC policies with Royal London	0.00	4.23
AVC policies with Scottish Equitable	22.81	43.55
	906.31	1,267.15

10 Current assets and current liabilities

	2022 £000's	2021 £000's
Assets		
Cash at bank and on deposit	1,563.28	1,489.87
Investment income due	0.00	0.02
PPF Levies	15.33	27.31
Sundry Debtors	202.46	-
	1,781.07	1,517.20
Liabilities		
Annuities to purchase	806.33	714.00
Pensions payable	8.98	23.29
Retirement lump sums payable	5.97	130.70
Trivial Commutations	-	43.78
Trustee Fees	4.73	4.73
Death benefits payable	1.48	1.18
Amount due to Legal & General	292.41	264.87
Administration	122.72	89.92
Bank charges	-	0.42
Audit fee	18.00	18.00
Actuarial/consultancy fee	205.72	69.92
Trustees' indemnity insurance	24.86	24.86
PAYE	35.09	24.09
PPF Levy	42.34	27.18
	1,568.63	1,436.94

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 £310,475 (2021: £270,297.76), plus £28,368 in respect salary to Chairman of Trustees both of these amounts are included in administrative expenses in note 6. The amount outstanding at the year-end was £122,718.00 (2021: £89,919.00).

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.

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 2022 to which this statement is attached. In our opinion contributions for the Scheme year ended 31 May 2022 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 23 October 2019 and 30th June 2022.

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 2022

Summary of contributions payable to the Scheme in respect of the year ended 31 May 2022

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

	£ (000's)
Employers' normal contributions	157.70
Employers' SmartPension contributions	40.23
Members' normal contributions	0.62
Employers' contribution re deficit funding	3,000.00
Employers' contributions re Scheme expenses	480.00
Employers' contributions re PPF Levies	0.00
Total contributions payable under the Schedule	**£3,678.55**
Other contributions:	
Members' additional voluntary contributions	3.60
Total contributions in respect of the year	**£3,682.15**

Signed on behalf of the Trustees:

[redacted] K J Mullen

S B Wilkie

Date: 22 December 2022

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 2021. This showed that on that date:

The value of the Technical Provisions was:	£829.9 million
The value of the assets at that date was:	£863.6 million

The technical provisions funding level had increased to 104.1% at 1 June 2021 with a funding surplus of £33.7 million (96.5% and deficit of £29.8m at 1 June 2018). 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 2021. An allowance was included for the cost of adjusting benefits for the effect of GMP Equalisation of £8.2m.

Significant actuarial assumptions

Discount rate: A term-dependent discount rate approach has been adopted. Non-pensioner and pensioner liabilities were derived from the WTW zero-coupon gilt nominal yield curve plus an additional 0.75% pa to 1 June 2032 then 0.25% pa thereafter.

Retail Price Inflation (RPI): Term-specific assumptions derived from WTW zero-coupon gilt implied breakeven inflation (BEI) curve.

Consumer Price Inflation (CPI): Term-specific Consumer Prices Index (CPI) assumptions are based on the RPI assumptions less a margin of 1.0% pa pre 2030 and 0.0% pa thereafter.

Pension increases: Derived from the term-specific rates for future Retail and Consumer Price Inflation considering the effect of inflation volatility and 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 2021 are shown below:

	% p.a.
RPI (maximum 5%, minimum 0%)	3.41
RPI (maximum 3%, minimum 0%)	2.79
CPI (maximum 3%, minimum 0%)	2.61

Mortality: SAPS "S3" all pensioner table/all pensioner mid-tables for male pensioners/all other members, projected from 2013 in line with the CMI's core 2020 projection model using a long-term trend for improvements of 1.5% pa, and otherwise default parameters (no initial addition to mortality improvements, smoothing parameter of 7 and no weighting to 2020 experience). A 103% multiplier is applied for non-pensioners, a 97% multiplier is applied for male pensioners and a 100% multiplier is applied for female 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]ff Pension Scheme:

Position: CHAIRMAN OF TRUSTEES

Date: 23 OCTOBER 2019

Signed a[redacted]

Signed:

Name: SIMON THOMAS

Position: CHIEF FINANCIAL OFFICER

Date: 23 OCTOBER 2019

Following completion of the 2021 Actuarial Valuation a revised Schedule of Contributions was signed on 30th June 2022.

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]

Richard Lawson
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 (Equities)

Managed Fund Policy Number MF 30803/000

Investment Report for the year ended 1 June 2022

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 1 June 2021: £89,314,593.50 1 June 2022: £42,941,483.38

Legal & General Investment Management - Portfolio Asset Performance

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

Month End Date: May 2022

			Performance (%) Last 3 Months			Performance (%) Last 1 Year			Performance (%) Last 3 Years		
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)	HBAB - Developed Balanced Factor Equity Index Fund - GBP Currency Hed...		(2.82)	(2.73)	(0.09)	-	-	-	-	-	-
	Total		(2.82)	-	-	(1.82)	-	-	9.37	-	-

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

22 Nov 2022

Provident Financial Staff Pension Scheme (Bonds)

Managed Fund Policy Number MF 30803/001

Investment Report for the year ended 1 June 2022

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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 1 June 2021: £630,342,252.85   1 June 2022: £455,877,049.33

Legal & General Investment Management - Portfolio Asset Performance

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

Month End Date: May 2022

			Performance (%) Last 3 Months			Performance (%) Last 1 Year			Performance (%) Last 3 Years		
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)		(20.74)	-	-	(22.49)	-	-	-	-	-
	Total		(20.74)	-	-	(22.49)	-	-	(6.56)	-	-

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.
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22 Nov 2022