UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME

Report and Financial Statements for the year ended 31 July 2023

Scheme Registration No: 10098554

XPS Administration

1 City Square, Leeds LS1 2ES

XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB

Part of XPS Pensions Group

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TRUSTEE AND ADVISERS

Trustee:	ZEDRA Governance Limited (Sole Trustee represented by Mr Colin Richardson) ^ Somerset House 37 Temple Street Birmingham B2 5DP ^ *External Independent Trustee*
Directors of ZEDRA Governance Limited:	The Directors of ZEDRA Governance Limited serving at the date of approval of this report are: A Bostock D Harris K Nash C Richardson D Archer (Resigned 01 March 2023) R Smith (Resigned 01 March 2023) The Directors of ZEDRA Governance Limited are appointed in line with the Company's Articles of Association
Sponsoring Employer:	University of Nottingham King's Meadow Campus Nottingham NG7 2NR
Scheme Actuary:	M J Harrison FIA FCIA Mercer 1 Whitehall Quay Whitehall Road Leeds LS1 4HR
Scheme Administrators:	XPS Administration Limited 1 City Square Leeds LS1 2ES
Independent Auditor:	Deloitte LLP Lincoln Building 27-45 Great Victoria Street Belfast BT2 7SL
Legal Advisers:	Shakespeare Martineau LLP 1 Colmore Square Birmingham B4 6AA
Bankers:	Bank of Scotland plc New Uberior House Earl Grey Street Edinburgh EH3 9BN
Investment Advisers:	Mercer Limited 1 Whitehall Quay Whitehall Road Leeds LS1 4HR

TRUSTEE AND ADVISERS (continued)

Investment Managers:

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

Ruffer LLP
80 Victoria Street
London SW1E 5JL

M&G Investment Management Limited
Laurence Pountney Hill
London EC4R 0EU

Liechtenstein Global Trust (LGT) Capital Partners
35 Dover Street
London W1S 4NQ

J.P. Morgan Asset Management
60 Victoria Embankment
London EC4Y 0JP

Enquiries:

Members can obtain further information about:

- the Scheme, including copies of the Scheme documentation
- their own pension position
- whom they should contact in the event of a complaint from:

XPS Administration Limited
1 City Square
Leeds LS1 2ES

or

The Pension Administrator
Pension & Benefits Services
University of Nottingham
King's Meadow Campus
Nottingham NG7 2NR

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 JULY 2023

The Trustee has pleasure in submitting its annual report on the operations of the University of Nottingham Contributory Pension and Assurance Scheme "the Scheme", together with the financial statements of the Scheme for the year ended 31 July 2023.

Scheme Information

The Scheme was established by a Trust Deed with attached rules dated 24 July 1958. Subsequent Supplemental Trust Deeds have been issued and the Scheme is currently governed by the Deed dated 2 March 2009.

The Scheme is registered under the Finance Act 2004. To the Trustee's knowledge there is no reason why such registration should be prejudiced or withdrawn.

The Scheme is contributory and its employee members were contracted out of the State Second Pension, until its abolishment on 6 April 2016.

The Scheme was closed to new entrants with effect from 1 September 2006.

Trustee and Advisers

Under the Definitive Trust Deed, Trustees may be appointed or removed by The University of Nottingham, provided that the number in office is no fewer than three. In accordance with the 2004 Pensions Act, Trustees must ensure that arrangements are in place for at least one-third of the total number of Trustees to be member nominated with effect from April 2006. For a Scheme where the sole Trustee is independent, there is no requirement for Trustees (or Directors) to be nominated by the members of the Scheme. The Trustees holding office during the year ended 31 July 2023 are listed on page 2 of this annual report. The Trustee met on four occasions during the year. The advisers to the Scheme are listed on pages 2 and 3 of this annual report.

Actuarial Valuation

An actuarial valuation of the Scheme was undertaken at 31 July 2020 and certified on 28 October 2021 by the Scheme's Actuary, Mr M J Harrison FIA FCIA. The valuation indicated that in relation to the Statutory Funding Objective, the Scheme's assets fell short of the liabilities by £123.9 million representing a funding level of 67%.

In accordance with the revised Schedule of Contributions (SoC) certified by the Actuary on 28 October 2021 deficit contributions are payable into the Scheme during the period 1 August 2022 to 30 September 2032 in respect of reducing the Scheme deficit. The amounts due in respect of deficit contributions during this period are detailed in note 4.

The Trustee and the University also agreed to increase the Employer contribution rate from 27.9% to 30.6% of Pensionable Salary with effect from 26 October 2021 in respect of future service benefits.

Membership

The number of members as at the year-end was:

	2023	2022
Contributing members	292	315
Deferred pensioners	887	934
Pensioners	1,354	1,312
	2,533	2,561

Pensioner members include 127 dependant pensioners (2022: 115). 56 of the pensioner members above are paid by Legal & General, their pensions having been secured by the purchase of annuity policies when they retired (2022: 63). The annuity contracts have been valued and are shown in the Statement of Net Assets.

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 JULY 2023 (continued)

Pension Increases

Pensions from the Scheme are increased each year in accordance with the rules of the Scheme. These rules state that pensions in payment accrued prior to 1 May 2003 (other than Guaranteed Minimum Pensions) are to be increased by a percentage equivalent to the increase in the Retail Prices Index with a minimum increase of 3% and a maximum increase of 5%.

Pensions in payment accrued post 1 May 2003 are to be increased by a percentage equivalent to the increase in the Retail Prices Index, with a minimum increase of 0% and a maximum increase of 5%.

Pensions in payment accrued post 1 May 2003 were increased by 5.0% and pensions in payment accrued pre 1 May 2003 were increased by 5.0% within the year ended 31 July 2023.

All pensions in deferment are increased in accordance with statutory requirements, and in accordance with the Scheme Rules. There were no discretionary increases to pensions.

Transfer Values

Cash equivalents (transfer values to other approved pension arrangements) payable are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

Financial Development of the Scheme

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

The total net assets of the Scheme at 31 July 2023 were £215.9 million, which represents a decrease in the year of £40.2 million. This was a symptom of the global market environment in late 2022 when government bond (gilt) yields for longer maturities increased, inflation expectations fell, and the value of liability matching assets (such as gilts and gilt-type investments) fell significantly. Returns from the UK gilt investments were also heavily impacted in response to the fall-out from the UK "mini-budget" in September 2022 and the resulting increase in interest rates.

The financial development of the Scheme during the year is summarised in the Fund Account on page 22 with comments regarding the investment and management of the funds noted overleaf.

Changes in the Scheme's net assets during the year were as follows:

	£
Net assets at 31 July 2022	256,160,306
Net withdrawals from dealings with members	(1,334,134)
Net returns on investments	(38,879,329)
Net assets at 31 July 2023	215,946,843

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme's Trustee:

c/o XPS Administration Limited
PO Box 562
Middlesbrough TS1 9JA
Email: NottinghamCPAS@xpsgroup.com
Web page: https://www.NottinghamCPAS.co.uk
or
The Pension Administrator
Pension & Benefits Services
University of Nottingham
King's Meadow Campus
Nottingham NG7 2NR

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 JULY 2023 (continued)

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities: The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

Pensions Ombudsman

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a Scheme's Trustee, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Telecom House
125-135 Preston Road
Brighton BN1 6AF

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10098554. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

INVESTMENT REPORT

Summary of Scheme Investment structure

The overall investment policy of the Scheme is determined by the Trustee having taken advice from their advisers, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments within each section after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. During 2020, new legislation was introduced with the aim of improving transparency around pension scheme trustee engagement with asset managements in five key areas. The Trustee have not updated the SIP, to reflect its policies in these areas, during the year and made a copy available on a publicly accessible website here: https://www.nottingham.ac.uk/fabs/finance/documents/university-of-nottingham-cpas-statement-of-investment-principles-sep..-.pdf.

To improve collateral within the LDI mandate, the Trustee of the Scheme fully disinvested its holding in the Newton Global Equity fund. As the Trustee is in the process of reviewing the Scheme's investment strategy, the Scheme's SIP has not yet been updated to reflect this change as consultation regarding the new strategy is still ongoing with the University.

Employer Related Investments

The Trustee is satisfied that the proportion of the Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 31 July 2023.

Market Background

Investment Markets[1]

The 12-month period to June 2023, saw the peak in headline inflation rates in most regions. Developed market central banks began to pause after the fastest rate of interest rate hikes in years. Although there were some signs of higher rates having an impact on the real economy, most notably among US regional banks, major developed economies remained surprisingly resilient. Growth also held up in emerging markets except for China where the rebound after the end of Covid restrictions was underwhelming. Overall, investors became more optimistic which was reflected in strong equity returns, albeit partly driven by a small number of US stocks and weaker performance for defensive assets.

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July of 2022 on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore, most major asset classes ended the quarter with negative returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November of 2022, but hawkish messaging from central banks in December of 2022 led to a premature end of the "Santa rally" even though the quarter ended with positive equity returns for the first time in a year.

[1] Statistics sourced from Reuters unless otherwise specified

INVESTMENT REPORT (continued)

Market Background (continued)

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained elevated.

The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, yet ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

On a year-on-year basis to 30 June 2023, sterling returns for developed market equities were positive at 13.5%. Sterling's appreciation reduced equity returns for unhedged UK investors. Emerging markets were also positive but underperformed relative to global equities. Markets have been on a bumpy recovery since the end of September 2022, particularly in the first quarter of 2023, when a select few 'mega-cap' stocks led a narrow market upwards, primarily driven by speculation surrounding AI-themed stocks. However, this was not the story for the entire twelve-month period as there were extended periods of equities selling off throughout the year.

Elsewhere, positive momentum throughout the year has been driven by lower-than-expected inflation data and better-than-expected earnings and economic activity data, both of which have aided in buoying equity markets. China was the main laggard in emerging markets, where an unexpected de-escalation of COVID restrictions led to initial strong performance for Chinese equities as a strong rebound was priced in. However, the actual rebound disappointed with the economic recovery being weaker than investors thought it may be. As a consequence, China was by far the weakest performing major equity market over the 12-month period to June 2023.

On a year-on-year basis to 30 June 2023, UK government bond returns were deeply negative, -14.5%, as were returns for UK corporate bonds, -7.1%. Inflation-linked bonds also performed poorly over the year, -17%.

In September 2022, the UK went through a major government bond (gilt) sell-off after the government announced a mini budget that markets deemed fiscally unsound. In the immediate aftermath following the mini-budget, 10-year yields spiked ~0.7% higher. However, the intra-day volatility was extremely elevated, with 0.3%-0.5% intra-day swings in 10-year yields through this period. Two weeks after the announcement, despite volatility falling, 10-year yields remained 0.4% higher than they were prior to the announcement. Markets positioned for the Bank of England having to double down on tightening in order to offset the expansionary mini budget. Soaring yields led to a scramble for collateral by UK pension plans who were exposed to leveraged liability hedging strategies. This ultimately led to the Bank of England providing liquidity support at the longer end of the yield curve. However, inflation forced the Bank of England to also continue to raise rates in the third and fourth quarter of 2022, ending the year at a base rate of 3.5%. Bond yields fell slightly through Q1 2023 despite the BOE continuing to raise rates, with the base rate increasing by 0.75% to 4.25% at the end of March 2023. The BOE continued to hike interest rates in the second quarter of 2023 as well, starting with a 0.25% hike in May and then surprising with a 0.5% hike in June, as inflation remained substantially above target and the highest among other major developed economies. As of 30 June 2023, yields in the UK are back at the level witnessed during the gilt market crisis, an increase by 2.12% for the year, which is far above any other global government bond market and highlights the underperformance of gilts relative to other markets.

INVESTMENT REPORT (continued)

Market Background (continued)

UK real yields rose over the 12 months to June 2023. The gilt-market crisis in September saw a sharp increase in real yields, but after having fallen in November 2022, real yields continued to climb back close to the highs seen in September through to June 2023. The 10-year real yield rose by 2.00% over the 1-year period ending on 30 June 2023. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, rose by 0.17% over the 12-month period, reaching 3.87% as of the end of June 2023, which was lower than the peak of 4.4% reached in August 2022. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022, when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads tightened over the 12-month period to June 2023, but the negative impact of increasing yields still led to negative total performance. Non-gilt credit spreads narrowed by 0.17% over the 12-months to June 2023. Credit outperformed equivalent duration government bonds. This outperformance equated to a c.7% relative return on an all-stock index performance basis.

The UK property market, due to its tradition of monthly valuations and its deep investor base, corrected for the change in capital market conditions much faster than other property markets globally. At the start of June, the process of value correction appeared to be slowing down, suggesting that the end of the correction may be in sight. However, the outlook for near-term base rates has increased compared to last quarter, which could push yields up further still.

After a period of nearly a year with predominantly negative capital growth and reaching a low point in Q4 2022, returns appear to have levelled off in the late spring of 2023. The MSCI UK Monthly Property Index showed a total return of 1.7% in the 3-months to May 2023. All property types recorded positive returns with the exception of the office sector. In the 3-months to May 2023; capital growth ranged between -2.9% in office to +4.0% in residential. Strong inflation has had a broadly positive impact on rental growth as part of returns over the past year, with some headwinds from higher interest rates.

Investment Markets[2]

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 13.5%. Meanwhile, a return of -3.2% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 19.6% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 7.9%. The FTSE USA index returned 14.2% while the FTSE Japan index returned 12.6%. The considerable underperformance of UK vs World and US equities is partly attributed to the UK index's large exposure to value sectors that have underperformed growth since the beginning of 2023.

Equity market total return figures are in Sterling terms over the 12-month period to 30 June 2023.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -14.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -24.9% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 2.44% to 4.46% while the Over 15 Year index yield rose from 2.56% to 4.36%.

The FTSE All Stocks Index-Linked Gilts index returned -17.0% with the corresponding over 15-year index exhibiting a return of -26.9%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -7.1%.

Bond market total return figures are in sterling terms over the 12-month period to 30 June 2023.

INVESTMENT REPORT (continued)

Market Background (continued)

Investment Policies and Objectives

The Trustee's overriding objective is to invest the Scheme's assets in the best interest of the members and other stakeholders and, in the case of a potential conflict of interest, in the sole interest of the members. Within this framework, the Trustee's primary aim is to ensure all benefits are paid when they fall due.

Over the longer term, the Trustee would like to adopt a 'self-sufficiency' approach whereby the Scheme's assets are less risky and there is a reduced probability of a funding deficit opening up in the future.

The Trustee is comfortable that the strength of the covenant offered by the University means that they can take a degree of risk in the portfolio over the longer term and receive advice on the strength of the covenant.

Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities

In establishing the investment arrangements i.e. the selection, retention and realisation of investments, the Trustee considers what they believe to be financially material matters.

The Trustee's process for choosing investments is as follows:

- Identify appropriate investment objectives.
- Agree the level of investment return expectation consistent with meeting the objectives set.
- Construct a portfolio of investments that is expected to achieve the return expectation (net of all costs) with the minimum degree of risk.

Non-financially material considerations (for example, member views on ethical considerations), are not currently taken into account in the selection, retention and realisation of investments.

The Trustee's policies in relation to the exercise of the rights (including voting rights) attaching to the investments, including undertaking engagement activities are:

The Trustee believes that environmental, social, and corporate governance (ESG) factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration. Therefore, the Trustee considers these issues in the context of its broader risk management framework. Trustee believes that clear expectations of investment managers and advisers should be set regarding ESG incorporation, where these issues are well understood and known to have relevance to investment outcomes. The Trustee decided to invest in an ESG-focussed global equity mandate which was implemented in April 2022.

The Trustee's policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially material factors, including ESG related issues where relevant.

The Trustee has also given the appointed investment managers full discretion when undertaking stewardship activities, including voting and engagement, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee will consider the investment consultant and ESG advisor's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment approach. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

Mercer provides the Trustee with ESG ratings for the strategies they invest on a quarterly basis. The Trustee will engage with its investment managers on the key findings as necessary, particularly where a manager is judged to be lagging its peers. Starting in 2021, the Trustee will formally review the investment managers' stewardship activities, including voting and engagement (where applicable), on an annual basis.

INVESTMENT REPORT (continued)

In addition, the Trustee engages with investment managers from time to time to explore these issues and to understand how they exercise their responsible investment duties in practice. It receives reports from the managers on how these issues are addressed.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities but may consider this in future.

Members have a variety of methods by which they can make views known to the Trustee. The Trustee takes these into account when they deem it appropriate to do so. The ESG policies of the University are also considered when agreeing the Trustee's ESG policies. This position is reviewed periodically.

Investment Manager Appointment, Engagement and Monitoring

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class the Trustee has appointed them for.

For active mandates, the Trustee looks to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee. These ratings are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustee will review the Scheme's appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. Some appointments are actively managed, and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance or significant outperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) each year.

As the Trustee invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

The Trustee's focus is on long-term performance but may put a manager 'on watch' if there are short-term performance concerns. If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees.

The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. There is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment is reviewed, and the Trustee decide to terminate for a more suitable appointment.

INVESTMENT REPORT (continued)

Investment Strategy and Implementation

All investments have been managed during the year under review by the investment managers and there is a degree of delegation in respect of investment decision making.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme that should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, including full discretion for stock selection, is the responsibility of the investment managers.

The Trustee has implemented the following investment strategy with the aim of helping them achieve the investment objectives:

Asset Class	Strategic Allocation	
	Start (%)	End (%)
Global Equity	30.0	30.0
Infrastructure	10.0	10.0
Absolute Return	10.0	10.0
Multi-Asset Credit	10.0	10.0
Diversified Alternatives	10.0	10.0
Bonds	5.0	5.0
LDI	25.0	25.0
Total	100.0	100.0

The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

Details of the frequency at which the Scheme's investments are priced and traded are included in the table below:

Daily	Weekly	Monthly	Quarterly
BlackRock - Equity	Ruffer - Absolute Return	LGT - Crown Multi-Alternatives[1]	JPM – Infrastructure[3]
BlackRock - Buy and Maintain[2]		M&G - Alpha Opportunities	
BlackRock - LDI			

[1]*Any withdrawals from the Diversified Alternatives Fund require 99 days' notice.*
[2]*Dealing frequency for Blackrock – Buy and Maintain has changed from monthly to daily (since 19 May 2023)*

[3]*Redemption dates occur semi-annually on 31 March and 30 September. Any withdrawals require notice to be given prior to the preceding quarter end.*

The actual allocations will vary from the strategic allocation above due to market price movements.

Asset Allocation

The Trustee invests in pooled investment vehicles. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. At 31 July 2023, the target hedge ratios in place (based on total liabilities valued on a gilts +0.5% basis) are 52.5% of interest rates and inflation.

The principal investment in derivatives is interest rate, inflation swaps and gilt repurchase agreements in the liability matching portfolio and futures in the return seeking portfolio.

INVESTMENT REPORT (continued)
Asset Allocation (continued)

The following table provides more detail on the distribution of assets for the Scheme.

Manager - Fund	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)	
Newton - Global Equity	31.8	--	12.7	--	12.0
BlackRock - Equity	41.6	37.0	16.5	17.4	18.0
JPM – Infrastructure[1]	22.9	25.0	9.1	11.6	10.0
Ruffer - Absolute Return	32.2	31.3	12.8	14.7	10.0
M&G - Alpha Opportunities	22.7	24.8	9.1	11.7	10.0
LGT - Crown Multi-Alternatives	28.1	28.6	11.1	13.5	10.0
BlackRock - Buy and Maintain	13.4	12.3	5.3	5.8	5.0
BlackRock - LDI	58.6	53.7	23.4	25.3	25.0
Total	**251.3**	**212.7**	**100.0**	**100.0**	**100.0**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
Valuations are based on Bid prices where available otherwise mid/single price values are used.
[1]Infrastructure valuation as at 30th June 2023. Accounts for accrued distribution reinvested in the following

Investment Performance

Gross of Fees

Manager - Fund	Last Year		Last 3 Years		Last 5 Years		Since Inception	
	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
JPM - Infrastructure[1]	9.2	--	--	--	--	--	8.4	--
Ruffer - Absolute Return[2]	0.3	--	5.4	--	5.0	--	5.7	--
M&G - Alpha Opportunities	9.8	3.4	5.3	1.3	4.6	1.0	4.2	1.2
LGT - Crown Multi-Alternatives	2.8	4.2	10.6	1.7	7.3	1.3	6.2	1.0
BlackRock - Low Carbon Equity	8.9	10.0	--	--	--	--	3.1	3.7
BlackRock - Buy and Maintain	-8.3	--	--	--	--	--	-8.4	--
BlackRock - LDI	-70.5	--	--	--	--	--	-66.7	--

Source: Investment Managers. Performance not shown for Funds where the Scheme has been invested for shorter timescales than the periods shown.
[1]JPM performance as at 30th June 2023 and shown net of fees.
[2]Ruffer performance figures are estimated.

INVESTMENT REPORT (continued)

Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

For the Scheme's pooled fund investments, the Trustee has no direct ownership of the underlying assets of the pooled funds. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are shown in the table below.

Manager (Pooled Fund)	Custodian
BlackRock	ACS Equity funds – Northern Trust LMF LDI funds – JPM ICS Sterling fund – BNYM Buy and Maintain fund – J.P. Morgan Bank (Ireland) PLC
JPM	Citco Fund Services
Ruffer[1]	The Bank of New York Mellon (International) Limited
M&G	State Street Custodial Services (Ireland) Limited
LGT	BNP Paribas Dublin

Source: Investment Managers
Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investments managers.
[1]*Depository of the fund*

XPS, has been appointed by the Trustee as administrator of Trustee bank account of the Scheme and is responsible for the safekeeping of these holdings.

REPORT ON ACTUARIAL LIABILITIES

Actuarial Position

Under the pension scheme funding requirements set out in the Pensions Act 2004, a full actuarial valuation is carried out at least every three years. The last actuarial valuation of the Scheme had an effective date of 31 July 2020 and was completed in October 2021. The next full actuarial valuation is as at 31 July 2023.

The valuation identified that, as at 31 July 2020, the value of the Scheme's liabilities was approximately £378.7m. Measured against the value of the Scheme's assets at the same date (approximately £254.8m) the Scheme had a deficit of £123.9m. The Scheme therefore had a funding ratio of 67%. Based on the valuation results, the Trustee agreed with the Principal Employer a Schedule of Contributions and a Recovery Plan aimed at removing the funding shortfall over a period of 12 years and 2 months from the valuation date.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions.

The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

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

Method

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

Assumptions

Financial Assumptions	Actuarial Assumption
Discount rate – outperformance relative to risk-free rate: - Before retirement:	Yield curve for nominal government bonds plus 2.25% p.a.
Discount rate – outperformance relative to risk-free rate: - After retirement:	Yield curve for nominal government bonds plus 0.6% p.a.
Future inflation: - RPI - CPI	 Yield curve for market implied inflation less 0.1% p.a. RPI less 1.0% until 2030 and RPI thereafter
Pensionable Salary increases	In line with CPI
Pension increases in payment*: - Guaranteed Minimum Pensions - Pension accrued prior to 1 May 2003 (other than GMP) - Pension accrued after 1 May 2003	 Fixed 3.00% In line with RPI subject to a maximum of 5% and a minimum of 3% In line with RPI to a maximum of 5%

* Pension increases have been modelled using the Jarrow-Yildirim's model

REPORT ON ACTUARIAL LIABILITIES (continued)

Assumptions (continued)

Demographic and other assumptions	Actuarial Assumption
Mortality – before and after retirement - Base Table - Adjustment - Improvement table	 SAPS S3PA (middle table for females) 111% for males and 102% for females CMI_2019 model with a long-term rate of improvement of 1.5% p.a. and smoothing parameter of 7.5
Early retirements	None
Leaving service	None
Cash commutation at retirement - Quantum	 80% of the maximum permitted to be commuted under the Scheme Rules for all periods of pensionable service
Marital statistics	80% of male members and 70% of female members are married at retirement Female partners are assumed to be 3 years younger than males
Allowance for GMP equalisation	0.7% of liabilities
Expense reserve	Reserve of £2m included within the liabilities

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Mercer

Certificate Of Schedule Of Contributions

Name of the Scheme	University of Nottingham Contributory Pension and Assurance Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 26 October 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 26 October 2021.

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

Signature	
Name	Michael J Harrison
Date of signing	28 October 2021
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	1 Whitehall Quay Whitehall Road Leeds LS1 4HR United Kingdom

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

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

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

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

The Trustee also has 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.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approval of the Trustee's Report

The Trustee's Report, which includes the Investment Report, the Report on Actuarial Liabilities, the Statement of Trustee's Responsibilities and the Implementation Statement, was approved by the Trustee on:

.... 19 February 2024 ....

Trustee: Colin Richardson
On behalf of Zedra Governance Limited Date

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the University of Nottingham Contributory Pension and Assurance Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 July 2023 and of the amount and disposition at that date of its assets and liabilities, other than the 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 24.

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).

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 Financial Reporting Council's (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 Trustee with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 respect of these matters.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the Scheme's industry and its control environment, and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities including those that are specific to the Scheme's business sector.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosures of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included Scheme's regulatory requirements.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response our procedures to respond to the risk identified included the following:

- obtaining an understanding of relevant controls over the existence of investment holdings and transactions;

- agreeing investment holdings to independent third party confirmations; and

- agreeing investment and cash reconciliations to independent evidence and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Scheme's Trustee, 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 Trustee 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

....

Deloitte LLP
Statutory Auditor
Belfast
United Kingdom

Date: 21 February 2024

FUND ACCOUNT

For the year ended 31 July 2023

	Note	2023	2022
		£	£
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	9,734,549	9,110,900
Employee contributions	4	299,499	307,651
Total contributions		10,034,048	9,418,551
Other income	5	316,824	360
		10,350,872	9,418,911
Benefits paid or payable	6	(10,634,227)	(9,406,733)
Payments to and on account of leavers	7	(964,253)	(802,600)
Other payments	8	(86,330)	(89,415)
Administrative expenses	9	(196)	(202)
		(11,685,006)	(10,298,950)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(1,334,134)	(880,039)
RETURNS ON INVESTMENTS			
Investment income	10	4,195,722	2,313,004
Change in market value of investments	12	(42,623,227)	(30,402,855)
Investment management expenses	11	(451,824)	(537,801)
NET RETURNS ON INVESTMENTS		(38,879,329)	(28,627,652)
NET (DECREASE) / INCREASE IN THE FUND FOR THE YEAR		(40,213,463)	(29,507,691)
OPENING NET ASSETS		256,160,306	285,667,997
CLOSING NET ASSETS		215,946,843	256,160,306

The notes on pages 24 to 33 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 July 2023

	Note	2023	2022
		£	£
INVESTMENT ASSETS	12		
Pooled investment vehicles	14	211,759,977	250,931,795
Insurance policies	15	2,383,138	3,120,476
Cash deposits		11,829	10,001
Other investment balances	13	423,182	500,000
TOTAL NET INVESTMENTS		214,578,126	254,562,272
CURRENT ASSETS	19	2,162,228	2,323,511
CURRENT LIABILITIES	20	(793,511)	(725,477)
CLOSING NET ASSETS		215,946,843	256,160,306

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on pages 15 and 16 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 33 form part of these financial statements.

These financial statements were approved by the Trustee on......... 19 February 2024 .... Date

....

Trustee: Colin Richardson
On behalf of Zedra Governance Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

Going Concern

The financial statements have been prepared on a going concern basis as the Trustee believes, having considered reports and input from the University, that this is appropriate. The Scheme is able to meet its financial commitments over the next 12 months from the date of signing. The Scheme has liquid assets and has the ability to meet benefit payments. In addition, the Trustee has a cash flow policy in place. To support the Trustee's view that the Scheme is a Going Concern, evidence is contained in minutes of Trustee Board meetings.

Over the Scheme year, markets continued to be volatile and inflation and interest rates remained higher than experienced over recent years (in the UK and globally). Global financial markets have experienced, and may continue to experience, significant volatility resulting from geopolitical factors and wider economic factors (direct and indirect) both in the UK and globally. In accordance with the requirements of FRS102 and the Pensions SORP, the fair valuations at the date of the statement of net assets reflect the economic conditions in existence at that date.

The Trustee has evaluated all subsequent events or transactions for potential recognition or disclosure through to the date on which the Trustee's Report is approved and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the Annual Report. However, as the situation is fluid and unpredictable, an estimate of the precise financial effect on investment assets and liabilities is not possible at the date of approval of the financial statements. There have also been no issues of liquidity risk.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

3. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in both the current and prior year:

(a) Accounting Convention

The financial statements are prepared on an accruals basis.

(b) Contributions

Employee normal contributions which are expressed as a rate of salary are accounted for when they are deducted from pay by the employer.

Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

(c) Payments to Members

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

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

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

(d) Expenses

Expenses included within the financial statements, including premiums on term insurance policies, are accounted for on an accruals basis. All other administrative expenses are paid directly by the Employer.

(e) Investment Income

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

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

(f) Investments

Investments are included at fair value as follows:

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.

Annuities in the name of the Scheme 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.

(g) Currency

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

(h) Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Net Assets date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

4. CONTRIBUTIONS

	2023	2022
	£	£
Employer contributions		
Normal	2,883,845	2,616,941
Deficit funding	6,748,704	6,391,959
Death in service premium contributions	102,000	102,000
	9,734,549	9,110,900
Employee contributions		
Normal	293,671	302,097
Additional voluntary	5,828	5,554
	299,499	307,651
	10,034,048	9,418,551

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 October 2021, implied deficit funding contributions of £547,000 per month are payable after deducting future service contributions. Please refer to the below for a full list of the implied deficit contributions under the current Schedule.

Members paid 7.5% of pensionable salaries into the Scheme in respect of future benefit accrual and the Employer paid 27.9% until September 2021 and 30.6% from October 2021 of pensionable salaries. The rate change was incorrectly implemented for salary sacrifice members until March 2023. During this period the Employer contribution continued to be paid at a 27.9% contribution rate as opposed to the 30.1% due per the SoC. This has led to an outstanding payment of £207k in respect of the shortfall being due from the employer. This payment has been scheduled to be paid back to members within February 2024 and has been included as a receivable within the accounts. Employer normal contributions include member contributions of £307,113 (2022: £308,899) paid under a salary sacrifice arrangement.

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 October 2021, implied deficit funding contributions are payable at the following rates:

- £547,000 per month from August 2022 to July 2023
- £583,400 per month from August 2023 to July 2024
- £621,700 per month from August 2024 to July 2025
- £661,700 per month from August 2025 to July 2026
- £703,700 per month from August 2026 to July 2027
- £747,700 per month from August 2027 to July 2028
- £793,800 per month from August 2028 to July 2029
- £842,100 per month from August 2029 to July 2030
- £892,700 per month from August 2030 to July 2031
- £945,800 per month from August 2031 to July 2032
- £1,001,40 per month from August 2032 to end of September 2032

Members will also pay monthly contributions of 7.5% of pensionable salaries into the Scheme in respect of future benefit accrual and the Employer will pay 30.6% of pensionable salaries during the period 28 October 2021 to 30 September 2032.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

5. OTHER INCOME

	2023	2022
	£	£
Other income	-	360
Claims on term insurance policies	316,824	-
	316,824	360

6. BENEFITS PAID OR PAYABLE

	2023	2022
	£	£
Pensions	8,677,810	8,214,581
Commutation of pensions and lump sum retirement benefits	1,749,713	1,124,046
Lump sum death benefits	136,464	31,115
Refunds of contributions on death	70,240	36,991
	10,634,227	9,406,733

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£	£
Individual transfers out to other schemes	964,253	802,600

8. OTHER PAYMENTS

	2023	2022
	£	£
Premiums on term insurance policies	86,330	89,415

9. ADMINISTRATIVE EXPENSES

	2023	2022
	£	£
Bank and other fees	196	202

Fees noted above have been paid from the Scheme following approval by the Trustee. All other expenses have been paid directly by the University as required under the Schedule of Contributions in force during the year.

10. INVESTMENT INCOME

	2023	2022
	£	£
Income from pooled investment vehicles	3,153,937	3,045,256
Interest on cash deposits	28,284	4,409
Annuity income	379,000	480,488
Hedging gains/ (losses) from pooled investment vehicles	634,501	(1,217,149)
	4,195,722	2,313,004

11. INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£	£
Investment fees - management & custody	451,824	537,801

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

12. RECONCILIATION OF INVESTMENTS

	Value at 31.07.2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31.07.2023
	£	£	£	£	£
Pooled investment vehicles	250,931,795	85,367,993	(82,653,922)	(41,885,889)	211,759,977
Insurance policies	3,120,476	-	-	(737,338)	2,383,138
	254,052,271	85,367,993	(82,653,922)	(42,623,227)	214,143,115
Investment cash	10,001				11,829
Other Investment balances	500,000				423,182
	254,562,272				214,578,126

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

Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged to the Scheme such as fees, commissions; stamp duty and other fees. Direct transaction costs incurred by the Scheme during the year amounted to £nil (2022: £330,865). Indirect costs are incurred through bid offer spread on investments within pooled investment vehicles.

13. OTHER INVESTMENT BALANCES

	2023	2022
	£	£
Dividends and interest receivable	423,182	500,000

14. POOLED INVESTMENT VEHICLES

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

	2023	2022
	£	£
Equities	36,990,001	73,369,157
Absolute Return	31,300,877	32,240,077
Alternative Bonds	37,136,435	36,154,937
LDI	53,669,044	58,666,496
Diversified Alternatives	28,422,007	28,052,708
Infrastructure	24,241,613	22,448,420
	211,759,977	250,931,795

15. INSURANCE POLICIES

	2023	2022
	£	£
The Scheme held insurance policies at the year-end as follows:		
Annuity policies held with Legal & General Assurance Society Limited	2,383,138	3,120,476

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

16. FAIR VALUE DETERMINATION

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

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

The Scheme's investment assets fall within the above hierarchy as follows:

	At 31 July 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	187,518,364	24,241,613	211,759,977
Insurance policies	-	-	2,383,138	2,383,138
Investment cash	11,829	-	-	11,829
Accrued income	423,182	-	-	423,182
	435,011	187,518,364	26,624,751	214,578,126

	At 31 July 2022			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	195,947,854	54,983,941	250,931,795
Insurance policies	-	-	3,120,476	3,120,476
Investment cash	10,001	-	-	10,001
Accrued income	500,000	-	-	500,000
	510,001	195,947,854	58,104,417	254,562,272

17. INVESTMENT RISK DISCLOSURES

Investment risks

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 the following elements:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

17. INVESTMENT RISK DISCLOSURES

Investment risks (continued)

The Trustee determines its investment strategy after taking advice from a professional investment advisor. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Scheme's strategic investment strategy.

For Defined Benefit assets, these investment objectives are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio. As they are not considered significant, the Scheme's AVC holdings and Trustee Bank Account balance are not included in these disclosures.

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

Investment strategy

The investment objective of the Scheme is to invest its assets as set out below:

- 30.0% in investments that share some characteristics with the long-term liabilities of the Scheme. This allocation is held in corporate bonds (5%) and Liability Driven Investment (25%), which are expected to provide a mix of interest rate and inflation protection.
- 70.0% in return seeking assets comprising of global equity funds (30.0%), a multi-asset credit fund (10.0%), a diversified alternatives fund (10.0%), an absolute return fund (10.0%) and an infrastructure fund (10.0%).

The actual asset allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustee's report.

Credit Risk

To gain exposure to certain asset classes in a cost-effective way (in both monetary and governance terms), the Scheme invests in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £212.7m (2022: £251.3m).

The Scheme is subject to indirect credit risk due to bonds, derivatives, repurchase agreements and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £150.7m (2022: £155.1m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

The Scheme is also exposed to some credit risk associated with the insurance policy (valued at £2.4m at end of 2023), although this risk is mitigated by the due diligence done by the Trustee and regulatory framework around insurers.

In respect of the Trustees' approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal. These assets are primarily held for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

17. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes, and the expected return from these assets is considered appropriate for the associated risk.
- Derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for swaps and/or repurchase agreements is reduced by collateral arrangements. Credit risk also arises on forward currency contracts. There are no collateral arrangements for these contracts, but all counterparties are required to be at least investment grade.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.
- A summary of the pooled investment vehicles by type of arrangement is shown below.

Investment Type	2023 (£ms)	2022 (£ms)
Open Ended Investment Companies	93.2	129.0
Qualifying Investor Alternative Investment Fund	24.5	21.7
Segregated portfolio company (Cayman Islands)	28.5	28.0
Authorised Unit Trusts	66.0	72.2
Total	**212.2**	**250.9**

Source: Investment Managers.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

- Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers.

Currency Risk

The Scheme is subject to direct currency risk where it invests in a pooled investment vehicle which is denominated in non-sterling currency, totalling £28.6m (2022: £28.1m).

The Scheme is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £103.2m (2022: £135.5m). This value includes pooled investment vehicles that have only a partial exposure to currency risk.

Interest Rate Risk

The Scheme is subject to interest rate risk via its Liability Driven Investment ("LDI") and bond holdings via pooled investment vehicles, and/or has entered into insurance contracts. The value of assets invested in pooled funds and directly exposed to interest rate risk as a result of this at year end was £150.7m (prior year: £155.0m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

17. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk (continued)

The Trustee has set a benchmark allocation of 30% to LDI and bonds. If interest rates fall, the value of these assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate. As at year end, the Trustee expects these assets to capture c.52.5% (2022: c.52.5%) of the change in actuarial liability value due to interest rate movements.

Changes in interest rates will affect the value of the insurance contracts held by the Scheme in the same way but are expected to match 100% of the variation in actuarial liability value.

The Scheme has exposure to interest rate risk via Absolute Return fund, Infrastructure fund, Multi-Asset Credit fund, and Diversified Alternatives fund. The interest rate risk they introduce is expected to be low and/or taken by the investment manager as part of its investment process to add value.

Other price risk

Other price risk arises principally in relation to the Scheme's non-bond assets, which includes Global Equities, Absolute Return, Infrastructure, Multi-Asset Credit, and Diversified Alternatives.

The Scheme has set a target allocation of 70% to non-bond assets. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	2023 (£m)	2022 (£m)
Equity	37.0	73.4
Diversified Growth	59.9	60.2
Infrastructure	25.0	22.4
Multi-Asset Credit	24.8	22.7
Cash	0.4	0.5
Total	**147.1**	**179.2**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
Valuations are based on Bid prices where available otherwise mid/single price values are used.

18. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2023		2022	
	£	%	£	%
Ruffer Absolute Return	31,300,877	14.5	32,240,077	12.6
BNY Mellon – Newton Global Equity	-	-	31,784,811	12.4
LGT Crown Multi Alternatives Segregated Portfolio	28,422,007	13.2	28,052,708	11.0
M&G Alpha Opportunities Fund	24,838,154	11.5	22,743,864	8.9
JP Morgan Infrastructure Investments Fund	24,241,613	11.2	22,448,420	8.8
BlackRock–ACS World Low Carbon Eq Tracker	18,414,495	8.5	20,762,560	8.1
BlackRock–ACS World Low Carbon Eq Tracker Hedged	18,575,506	8.6	20,821,787	8.1
BlackRock – Buy and Maintain UK Credit	12,298,280	5.7	13,411,072	5.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 July 2023

19. CURRENT ASSETS

		2023	2022
		£	£
Bank balance		1,136,284	1,541,420
Contributions receivable	- employer	793,471	758,263
	- members	24,639	23,828
	- Contributions shortfall due	207,834	-
		2,162,228	2,323,511

All contributions outstanding at the year-end were received into the Scheme subsequent to the year-end in accordance with the timescales stipulated in the Schedule of Contributions.

20. CURRENT LIABILITIES

	2023	2022
	£	£
Unpaid benefits	740,756	708,477
Accrued expenses	52,755	17,000
	793,511	725,477

21. EMPLOYER RELATED INVESTMENTS

There was no self-investment at any time in the current or prior year.

As per note 4, the employer owed the Scheme an outstanding payment of £207k in respect of the shortfall in employer contributions. This has been noted following the incorrect implementation of the employer contribution rate change from 27.9% to 30.1% per the 28 October 2021 SoC for salary sacrifice members until March 2023. This payment has been scheduled to be paid back to members within February 2024.

22. RELATED PARTIES

In accordance with the Schedule of Contributions in force during the year all administrative expenses paid from the Scheme have been disclosed in note 9 of the financial statements. All other expenses including £55,445 to Zedra Governace Limited have been paid directly by the University as required under the Schedule of Contributions in force during the year. Other than those items disclosed elsewhere in the financial statements.

23. TAXATION

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

24. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issues will affect the Scheme and will be considering this at future meetings.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME

We have examined the Summary of Contributions to the University of Nottingham Pension and Assurance Scheme for the Scheme year ended 31 July 2023 to which this statement is attached.

Opinion

In our opinion, except for the effects of the departure from the Schedule of Contributions, as stated within the basis for qualified Statement about Contributions paragraph, contributions for the Scheme year ended 31 July 2023, as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid from 1 June 2022 to 31 July 2023 in accordance with the Schedule of Contributions certified by the Scheme actuary on 28 October 2021.

Basis for qualified statement about contributions:

As explained on page 35, members paid 7.5% of pensionable salaries into the Scheme in respect of future benefit accrual and the Employer paid 27.9% until September 2021 and 30.6% from October 2021 of pensionable salaries. The rate change was incorrectly implemented for salary sacrifice members until March 2023. During this period the Employer contribution continued to be paid at a 27.9% contribution rate as opposed to the 30.1% due per the SoC. This has led to an outstanding payment of £207k in respect of the shortfall being due from the employer. This payment has been scheduled to be paid back to members within February 2024 and has been included as a receivable within the accounts.

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 the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Belfast
United Kingdom

Date: 21 February 2024

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

Members paid 7.5% of pensionable salaries into the Scheme in respect of future benefit accrual and the Employer paid 27.9% until September 2021 and 30.6% from October 2021 of pensionable salaries. The rate change was incorrectly implemented for salary sacrifice members until March 2023. During this period the Employer contribution continued to be paid at 27.9% contribution rate as opposed to the 30.1% due per the SoC. This has led to an outstanding payment of £207k in respect of the shortfall being due from the employer. This payment has been scheduled to be paid back to members within February 2024 and has been included as a receivable within the accounts.

During the year, the contributions paid to the Scheme by the Employer under the Schedule of Contributions were as follows:

	£
Employer normal contributions	2,883,845
Employer deficit funding contributions	6,748,704
Employer death in service premium contributions	102,000
Employee normal contributions	293,671
Total contributions paid as reported on by the Scheme Auditor	10,028,220
Reconciliation to the financial statements:	
Contributions paid under the Schedule of Contributions	10,028,220
Members' Additional Voluntary Contributions	5,828
Contributions receivable per the financial statements	10,034,048

This summary was approved by the Trustee on: ....19 February 2024 .... Date

Signed on behalf of the Trustee

....

Trustee: Colin Richardson
On behalf of Zedra Governance Limited

UNIVERSITY OF NOTTINGHAM CONTRIBUTORY PENSION AND ASSURANCE SCHEME ("THE SCHEME")

ANNUAL ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee of the Scheme has been followed during the year to 31 July 2023. This statement has been produced in accordance with: The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019; and Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - June 2022.

Investment Objectives of the Scheme

The Trustee's overriding objective is to invest the Scheme's assets in the best interest of the members and other stakeholders and, in the case of a potential conflict of interest, in the sole interest of the members. Within this framework, the Trustee's primary aim is to ensure all benefits are paid when they fall due.

Over the longer term, the Trustee would like to adopt a 'self-sufficiency' approach whereby the Scheme's assets are subject to a lower level of anticipated investment risk, and there is a reduced probability of a funding deficit arising in the future.

The Trustee is comfortable that the strength of the covenant offered by the University means that the Scheme can afford to take a degree of risk in the portfolio over the longer term in order to achieve these objectives, and the Trustee receives advice on the strength of the covenant on a periodic basis.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, Stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. The Trustee keeps the policies under regular review with the SIP subject to review at least triennially - the most recent update to the SIP was made in March 2022.

The following work was undertaken during the year to 31 July 2023 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change:

Engagement

- The Trustee believes that environmental, social, and corporate governance ('ESG') factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
- The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

University of Nottingham Contributory Pension and Assurance Scheme ("the Scheme") Annual Engagement Policy Implementation Statement (continued)

Engagement (continued)

- The strategic rationale of different asset classes that help the Trustee to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Scheme's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.
- The Trustee will also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

Below are some examples provided by the Scheme's investment managers' outlining their engagements with companies over the year to 31 July 2023:

<u>M&G – Alpha Opportunities</u>

M&G met with Infineon Technologies AG's head of corporate sustainability and business continuity, along with investor relations personnel, to discuss the company's carbon reduction targets and more specifically to encourage them to publish scope 3 targets, and to have these, along with its scope 1 and 2 targets validated by the Science Based Targets Initiative ('SBTi').

The company publishes a good scope 3 inventory, but does not currently have targets to reduce scope 3 emissions, which represent around half of its greenhouse gas ('GHG') emissions (and so need to be included in SBTi targets). The company believes that others in the industry do not measure scope 3 emissions to the same degree of detail as they do, and so their scope 3 targets are less onerous, as they feel they do not operate on a level playing field. They highlighted that there will be a board decision on the matter in 2023 and M&G continues to engage with them on this point.

<u>Ruffer – Absolute Return</u>

Ruffer engaged with BP in February 2023 to discuss their recent strategic reports which represented a "row-back" on renewables and a shift towards oil and gas production, casting doubt over whether the company was really committed to moving towards a low-carbon world. Ruffer spoke to BP's Chief Financial Officer and the newly appointed executive vice president of gas and low carbon energy. They confirmed that the company is aiming to marginally extend the life of its existing oil and gas assets to meet demand triggered by Russia's invasion of Ukraine, but is doing so in a resource and energy efficient manner by using existing machinery and fields, rather than investing in intensive new projects. Overall, Ruffer expressed that the announcements suggest that BP is taking a pragmatic and flexible approach to achieving its reiterated goal of a Net Zero transition.

<u>LGT – Crown Multi-Alternatives</u>

Each year LGT conducts an assessment of the underlying managers for the strategy, which forms a part of the firm's larger ESG due diligence, monitoring and manager engagement process. This review of managers allows LGT to facilitate active engagement with managers on ESG, highlighting excellence in implementation and flagging areas for improvement.

In the assessment, LGT asks managers about, and scores them on, four key areas of ESG practice:

- Manager commitment – the extent to which they have demonstrated their commitment to ESG through actions such as defining a policy, committing to an industry initiative like the Principles for Responsible Investment (PRI) and engaging with their portfolio companies
- Investment process – the extent to which they have formally integrated ESG into their investment processes, using it as a framework for evaluating investments and identifying areas for improvement

University of Nottingham Contributory Pension and Assurance Scheme ("the Scheme") Annual Engagement Policy Implementation Statement (continued)

LGT – Crown Multi-Alternatives (continued)

- Ownership – the extent to which they have exhibited active ownership through activities like defining ESG guidelines, establishing key performance indicators ('KPIs') or assigning ESG responsibilities for portfolio companies
- Reporting – the extent to which they have provided regular and relevant reporting on ESG on a portfolio company level and on the aggregate fund level

Managers receive a score of 1 to 4, resulting in an overall rating for each manager which is then monitored by LGT. They then actively engage with managers receiving low scores, encouraging improvement over time.

BlackRock

BlackRock advocate for sound corporate governance and sustainable business practices that results in long-term value creation for clients. To that end, they conduct approximately 3,600 engagements a year on a range of ESG issues. BlackRock have mapped their engagement priorities to specific UN Sustainable Development Goals, and can be categorised into the following areas:

- Board Quality and Effectiveness – BlackRock believes boards should aspire to meaningful diversity of membership.
- Strategy, Purpose, and Financial Resilience – BlackRock acknowledges that purpose-driven companies which effectively balance stakeholder considerations while delivering value for their shareholders have been better able to attract long-term capital and build financial and business resilience to help navigate volatility.
- Incentives Aligned with Value Creation – BlackRock supports having appropriate incentives to reward executives for delivering sustainable long-term value creation.
- Climate and Natural Capital – BlackRock asks companies to discuss in their reporting how their business model is aligned to a scenario in which global warming is limited to well below 2°C, moving towards global net zero emissions by 2050.
- Company Impacts on People – BlackRock believes sustainable business models create enduring value for all key stakeholders – employees, suppliers (and the employees of suppliers), customers, and the communities in which companies operate. In this context, they seek to understand a company's approach to human capital management.

Newton IM – Global Equity

Over the year to 31 July 2023, Newton engaged with Alibaba, attending a group investor meeting with the company focusing on the company's ESG strategy and its new sustainability report. The discussion centred on its initiatives in relation to climate and the environment.

Notably, the company has committed to join the Science Based Targets initiative (SBTi) and has aligned its decarbonisation measures and strategy with the Paris Agreement. It has set targets for scope 1 and 2 carbon neutrality, and a 50% carbon intensity reduction for scope 3 by 2030. It has also added a new scope 3+ (emissions generated by a wider range of participants beyond scope 1, 2 and 3 emissions) dimension to its targets to facilitate additional decarbonisation across the company ecosystem by 2035. Newton will continue to engage with the company to gain clarity and share their expectations as the company's ESG journey continues.

Significant Voting Activity

Following new guidance from the Department for Work and Pensions ('DWP'), the Trustee is required to define what constitutes a 'most significant vote' to guide the inclusions in this Implementation Statement.

The Trustee has decided to measure significance by holding size in the funds' portfolios and by consistency with the University's sustainability priorities/themes. The Trustee has decided to report in this Implementation Statement on votes related to material holdings (over 5% of assets in any of the Scheme's underlying investments), and will aim to focus on in the following stewardship areas:

University of Nottingham Contributory Pension and Assurance Scheme ("the Scheme") Annual Engagement Policy Implementation Statement (continued)

Significant Voting Activity (continued)

- Climate Change: including low-carbon transition and physical damages resilience.
- Biodiversity: enhancing biodiversity and maintaining and/or reinstating natural habitats.

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. These reports are reviewed as part of the production of this Statement.

The Trustee does not use the direct services of a proxy voter.
The Trustee has considered the voting policy of the equity managers and the Trustee deems them consistent with their investment beliefs. Over the prior 12 months, the Trustee has not actively challenged the managers on their voting activity, however have asked managers to explain the reasons behind their key voting and engagement.
The voting processes of the relevant managers are outlined below.
There were no votes undertaken on behalf of the Trustee over the year to 31 July 2023 that formally meet the significant vote criteria – however the Trustee has set out votes consistent with the significant voting priorities for each individual manager that holds equities.

BlackRock

Over the year to the 31 July 2023, BlackRock were eligible to vote at 957 meetings on 13,766 resolutions. BlackRock voted 98% of the time. Of the resolutions on which BlackRock voted they voted in favour of management 94% of the time, voting against management 4% of the time. BlackRock voted at least once against management in 24% of meetings at which they voted.

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, they are just two among many inputs into their vote analysis process, and they do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial.

One significant vote on behalf of the Trustee was with respect to Amazon.com, inc., held on 24 May 2023 which represented 0.40%[3] of Scheme assets. BlackRock voted against a shareholder proposal for the Amazon to report on climate lobbying, expressing that Amazon already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.

Newton IM

Over the year to 31 July 2023 Newton were eligible to vote at 60 meetings on a total of 1,011 resolutions, of which they voted 100% of the time. On the resolutions Newton voted on, they voted in favour of management 89% of the time. Newton voted at least once against management in 55% of meetings.

Newton has established overarching stewardship principles, which guide their ultimate voting decision, based on guidance established by internationally recognised governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting Newton's investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations.

1 Calculated using approximate size of holding as a percentage of the fund at vote date and underlying asset valuations at 31 July 2023.

University of Nottingham Contributory Pension and Assurance Scheme ("the Scheme") Annual Engagement Policy Implementation Statement (continued)

Newton IM (continued)

Newton's Head of Responsible Investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. Newton do not maintain a strict proxy voting policy. Instead, they prefer to take into account a company's individual circumstances, Newton's investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton. Newton voted against the recommendation of their proxy advisor for 6% of the resolutions on which they voted.

One significant vote on behalf of the Trustee was in respect of JPMorgan & Co held on 16 May 2023, which represented 0.33%[4] of Scheme holdings. Newton supported a shareholder proposal for a report on the company's climate transition plan as it would aide shareholders better evaluate the company's strategy for implementing its commitments to advance a low-carbon economy and the company's management of related risks and opportunities. The proposal failed, however following significant support for the proposal, Newton expect the company to strengthen its disclosures and practices around its climate transition planning, especially around engagement with clients, and more transparent metrics and timelines for its decarbonisation plan.

Newton believed that this disclosure was necessary to ensure the company aligns its goals with the groups it supports, and allows Shareholders to assess the related risks.

Ruffer

Over the year to 31 July 2023 Ruffer were eligible to vote at 63 meetings on a total of 1,055 resolutions, of which they voted 100% of the time. On the resolutions Ruffer voted on, they voted in favour of management 91.4% of the time. Ruffer voted at least once against management in 28.6% of meetings.

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). They have developed their own internal voting guidelines, however take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource their stewardship activities when deciding how to vote on clients' shares.

Each research analyst, supported by their responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

One significant vote on behalf of the Trustee was in respect of BP Plc held on 27 April 2023, which represented 0.07%[5] of Scheme holdings. They voted against a shareholder resolution with respect to climate change targets. This vote was in line with management's recommendation. This resolution failed, with 83.3% of voters voting against this. Ruffer justified this vote by noting that they believe BP have a credible transition strategy with appropriate decarbonisation targets, which reflects demand for oil & gas energy whilst also allocating capital to the 'transition growth engines'.

2 Calculated using approximate size of holding as a percentage of the fund at vote date, Newton valuation at 27 June 2023 (the date of disinvestment) and underlying asset valuations for the Scheme at 31 July 2023.

3 Calculated using approximate size of holding as a percentage of the fund at vote date and underlying asset valuations for the Scheme at 31 July 2023.