

**Registered number: 10040297**

**UNUM PENSION SCHEME  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2023**

# UNUM PENSION SCHEME

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### TRUSTEES AND THEIR ADVISERS YEAR ENDED 30 JUNE 2023

<b>Company Appointed Trustees</b>	Graham Hockings Bill Mansfield PTPMI (Accred)
<b>Member-Nominated Trustees</b>	Roger Spencer Paul Sprules Penny Tompkins
<b>Professional Trustee</b>	Capital Cranfield Pension Trustees Limited Represented by Kate Jarvis
<b>Principal Employer</b>	Unum European Holding Company Limited ('Unum')
<b>Actuaries</b>	Robert Sergeant, FIA (resigned 31 March 2023) Aon Solutions UK Limited Russell Agius, FIA (appointed 31 March 2023) Aon Solutions UK Limited
<b>Administrator</b>	Aon Solutions UK Limited
<b>Independent Auditors</b>	KPMG LLP (removed 17 July 2023) JW Hinks LLP (appointed 17 August 2023)
<b>Bankers</b>	Bank of Scotland plc Lloyds Bank plc HSBC Bank plc
<b>Investment Adviser</b>	Aon Investments Limited*
<b>Fiduciary Investment Manager</b>	BlackRock Investment Management (UK) Limited ('BlackRock')
<b>AVC Providers</b>	Phoenix Life Limited ('Phoenix Life') Standard Life Aberdeen plc ('Standard Life') Utmost Life and Pensions Limited ('Utmost')
<b>Custodian</b>	The Bank of New York Mellon ('BNY Mellon')
<b>Legal Adviser (CMS )</b>	CMS Cameron Mckenna Nabarro Olswang LLP
<b>Contact Details</b>	Unum Pension Scheme Aon Solutions UK Limited PO Box 196 Huddersfield HD8 1EG  unum.pension@aon.com 0330 123 4594

\* With effect from 1 September 2022, Aon Solutions UK Limited transferred part of their Wealth Solutions business to a different Aon company within the UK group, Aon Investments Limited.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Introduction

The Trustees of Unum Pension Scheme (the 'Scheme') are pleased to present the annual report together with the audited financial statements for the year ended 30 June 2023.

### Constitution and management

The Scheme is an occupational Defined Benefit ('DB') pension scheme. The Scheme is governed by a Trust Deed, as amended from time to time, and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Scheme was closed to new entrants on 31 December 2002. New employees have the opportunity to join the Principal Employers GPP arrangement. New employees will however be covered for death in service lump sum benefits under Unum Pension Scheme's Trust. A block of former Sun Life of Canada employees joined the Scheme on 1 March 2003.

The Scheme closed to future accrual on 30 June 2014, but members who are still employed by Unum will have the accrued benefits to the date of closure linked to the higher of their Final Pensionable Salary on 30 June 2014 with Statutory Revaluation or their Final Pensionable Salary on leaving service (or on taking their pension benefits, if earlier).

The Trustees are shown on page 1.

Under the Trust Deed and Rules of the Scheme, the Trustees are appointed and removed by the Employer, subject to the Member-Nominated arrangements.

In accordance with the Pensions Act 2004, at least one third of the total number of Trustees must be nominated by Scheme members.

A Trustee can choose to retire from office at any time. A Member-Nominated Trustee can only be removed with the agreement of all other Trustees. Company Appointed Trustees are removed by the Employer.

The Trustees have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustees have written agreements in place with each of them.

### Trustee meetings

The Trustee Board met formally four times during the year to consider the business of the Scheme.

### Change of Independent Auditor

The Trustees appointed JW Hinks LLP as the Scheme auditor on 17 August 2023. KPMG LLP had previously been the Scheme auditor. In a statement to the Trustees, KPMG LLP confirmed that they knew of no circumstances connected to their resignation which affected the interests of members, prospective members or beneficiaries of the Scheme.

### Change of Actuary

On 31 March 2023, Robert Sergeant resigned as the Actuary and was replaced on 31 March 2023 by Russell Agius. As required under legislation the outgoing Actuary confirmed that there were no circumstances connected with his resignation which significantly affects the interests of the current or prospective members and beneficiaries of the Scheme.

### Scheme changes

There were no significant changes to the Scheme during the year.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Financial statements

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

### Membership

Details of the membership changes of the Scheme in the year are as follows:

	Actives	Deferreds	Pensioners	Total
Members at the start of the year	86	657	390	1,133
Adjustments to members	(3)	1	4	2
New spouses	-	-	2	2
Retirements	(3)	(19)	22	-
Deaths	-	-	(10)	(10)
Transfers out	-	(2)	-	(2)
Leaver with no further liability	(1)	1	-	-
Members at the end of the year	79	638	408	1,125

Pensioners include 33 (2022: 30) individuals receiving a pension upon the death of their spouse who was a member of the Scheme. Pensioners also include Nil (2022: Nil) child dependants in receipt of a pension.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The adjustments to members shown above are the result of retrospective updating of member records.

Included in the above are 5 (2022: 6) pensioners whose benefits are financed by insurance (annuity) policies.

Members with multiple periods of service are included more than once in the above table.

### Pension increases

All pensions in payment were increased with effect from 1 December 2022 in accordance with the Rules of the Scheme. With the exception of a small number of pensions which do not increase in payment, Pre 97 Pensions in excess of Guaranteed Minimum Pension ('GMP') were increased at 2.5% for Unum section members, Post 97 Pensions were increased at 5.0% for Unum section members and 5.0% for SLOC section members, Post 06/04/2010 Pensions were increased at 2.5%. Post 88 GMPs were increased at 3.0%, Pre-88 GMPs were not increased in accordance with the Scheme Rules and statutory requirements.

There were no discretionary pension increases in the year.

Deferred benefits are increased in line with legislation and the Scheme Rules.

### Transfers

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

Transfers into the Scheme are not allowed.

# UNUM PENSION SCHEME

## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Contributions

The actuarial valuation of the Scheme as at 30 June 2021 revealed a funding shortfall (technical provisions minus value of assets) of £6.6 million on the Statutory Funding Objective. The Trustees and Employer have agreed that the following contributions will be paid to an escrow account to eliminate this funding shortfall:

From January 2023 to June 2026 inclusive	£1.24 million p.a., payable monthly by no later than the end of the calendar month to which the contribution relates
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The operation of the escrow account is governed by a Deed Relating to Release Events dated 29th September 2022. The escrow Deed sets out further information about the payments to be made from the escrow account to the Scheme and/or the Employer. There are provisions within the escrow Deed for payments to be made from the escrow to the Scheme in certain circumstances. In particular, if by the 30 June 2026 there remains a deficit on the technical provisions basis, a payment will be made from the escrow account to the Scheme by 30 September 2026 equal to the lower of the technical provisions deficit and the value of the escrow account.

The Employer continues to pay the cost of any death in service lump sum benefits provided through the Scheme via an insurance contract and the cost of any levies payable to The Pensions Regulator and the Pension Protection Fund.

### Going concern

The Scheme's financial statements have been prepared on the going concern basis. In making this assessment, the Trustees have assessed the ability of the Principal Employer to continue to meet its obligations to the Scheme and for the Scheme to meet its future obligations to pay member benefits as they fall due.

The Trustees have reviewed information available to them from the Principal Employer and their advisers and as a consequence, the Trustees believe the Scheme is well positioned to manage its risks successfully. In light of this the Trustees have a reasonable expectation that the Scheme will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Scheme's financial statements.

# UNUM PENSION SCHEME

## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits. 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, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustees and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

### Results of the last valuation and subsequent funding updates

The results of the latest actuarial valuation at 30 June 2021 and the 30 June 2022 and 30 June 2023 actuarial reports are shown below:

	30 June 2021	30 June 2022	30 June 2023
Market value of assets (A)	£209.9M	£152.6M	£109.9M
Technical provisions (B)	£216.5M	£174.0M	£139.2M
Surplus/(Shortfall) (B – A)	£(6.6)M	£(21.4)M	£(29.4)M
Funding level (A / B)	97%	88%	79%

Note: The number shown in the table may not sum due to rounding.

The value of technical provisions is based on assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. The significant actuarial assumptions used to calculate the technical provisions are:

Retail Price inflation ('RPI'):	Term dependent rates equal to the difference between the market yields on long-dated fixed interest and index linked gilts.
Consumer Price inflation ('CPI'):	Retail Price Inflation less a margin (equal to 1.0% p.a. pre-2030 and 0.1% p.a. post-2030 at 30 June 2021, 1.0% p.a. pre-2030 and 0.2% post-2030 at 30 June 2022 and 0.9% p.a. pre-2030 and 0.1% p.a. post-2030 at 30 June 2023).
Discount rate (pre-retirement):	Term dependent rates equal to the nominal gilt yield curve plus 3.0% p.a.
Discount rate (post-retirement):	Term dependent rates equal to the nominal gilt yield curve plus 0.5% p.a.
Mortality base table:	S3PXA Light tables with scaling factors of 110% for non-pensioner, 100% for pensioners.
Mortality improvement rate:	CMI_2020 (Sk=7.0, A=0.5% and w2020=0%) with a long-term rate of improvement of 1.5% p.a.

### Recovery plan

The employer will pay £1.24 million p.a. into an escrow account from January 2023 to June 2026. There are provisions within the escrow Deed for payments to be made from the escrow account to the Scheme in certain circumstances. In particular, if by 30 June 2026, there remains a deficit on the technical provisions basis, a payment will be made from the escrow account to the Scheme by 30 September 2026. At the valuation date, these contributions, together with investment returns of 0.25% p.a. above the prudent technical provisions discount rate, were expected to eliminate the deficit at the valuation date by 30 September 2026.

### Next actuarial valuation

The next triennial valuation will be carried out as at 30 June 2024.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Investment matters

#### Management and custody of investments

As required by Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles ('SIP'). A copy of the SIP can be found on the Scheme's website at <https://pensioninformation.aon.com/unumsip> and is available on request from the Administrator.

The Trustees have delegated management of investments to the investment managers shown on page 1. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments in line with the investment managers agreements which are designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustees have considered environmental, social and governance ('ESG') factors for investments (including but not limited to climate change) and have delegated to the investment managers the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Scheme's investments.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Scheme that they manage.

The Trustees have appointed Bank of New York Mellon as the custodian of the Scheme's investments.

The Custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

The Trustees have considered the nature, disposition, marketability, security, and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.



# UNUM PENSION SCHEME

## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Investment report

The Trustee is responsible for ensuring the investment strategy is consistent with the Scheme's funding objectives and its assessment of the employer covenant.

Professional advisers have been appointed by the Trustee to support the running of the Scheme. Roles and responsibilities are as follows:

- **Fiduciary Manager (BlackRock)** –in its capacity as investment manager, has been appointed to manage the Scheme's assets in such a way to aim to achieve the Scheme's long term investment objective.
- **Investment Managers** – the Scheme gains exposure to asset classes by investing in pooled investment vehicles that are managed by investment managers who are selected by the Fiduciary Manager, as delegated by the Trustee.

The broad investment objective of the Scheme is to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided.

Following professional advice, the Trustee has determined an appropriate asset allocation to be implemented by the Fiduciary Manager, as detailed in the Scheme's Statement of Investment Principles ('SIP') and governed by the Investment Manager Agreement ('IMA'). The IMA details the level of delegation afforded to the Fiduciary Manager and outlines the parameters the Fiduciary Manager must operate within. Both the SIP and IMA are subject to change over time as the strategy evolves.

The investment strategy for the Scheme is to:

- Manage the Total Portfolio in order to seek to achieve an initial target return of approximately 2.9 % above gilts per annum (net of fees).
- Invest in a portfolio of assets which aims to immunise a proportion of the interest rate risk inherent within the Scheme's liabilities (the 'matching portfolio').
- Invest in a diversified portfolio of assets to achieve an efficient risk / reward trade off with the objective of generating sufficient returns to close the Scheme's funding deficit (the 'growth portfolio'),
- Target interest rate and inflation hedging up to level of assets.

### Investment Performance

Investment performance has been measured by asset class since the appointment of the Fiduciary Manager. Performance of the total portfolio and the underlying managers is provided to Trustees on a quarterly basis in the Quarterly Investment Report. As this appointment was made in 2021, the three and five year returns are not available.

Performance for the period ending 30 June 2023 is shown in the table below:

	Quarter end June 2023	1 year	Since Inception (p.a.)
Total Portfolio Return	(7.8)%	(24.8)%	(20.7)%
Total Liability Return	(7.7)%	(21.5)%	(17.9)%

\*Inception date:24th March 2021

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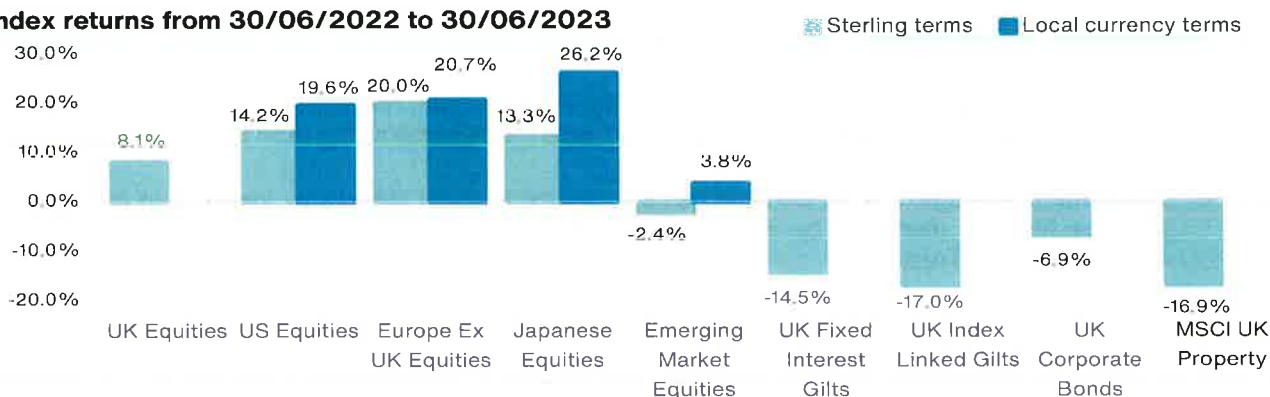
## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Investment report (continued)

#### Market background

#### Index Returns

##### Index returns from 30/06/2022 to 30/06/2023



Index returns from 30/6/2022 to 30/6/2023. Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx

#### General Background

Global equities generated strong positive returns over the last twelve months, recovering after suffering a sharp sell-off in the first half of 2022 due to Russia's ongoing invasion of Ukraine and the start of tighter monetary policy in response to elevated inflationary pressures. Equity markets rebounded particularly over the last nine months as the global economy appeared more resilient than previously anticipated and inflation began to moderate in the majority of economies. The rally in Information Technology stocks was a major contributor to equity market gains in 2023 as investor excitement over artificial intelligence grew.

Bond yields continued to rise in many countries over the period. Steep moves up in gilt yields occurred following the UK's 'mini-budget' in September 2022, affecting many UK schemes using leveraged liability-driven investments (LDI). The resulting collateral calls were met by forced selling of gilts, swaps, and credit. The Bank of England (BoE) subsequently intervened to restore normal market function. UK prime minister Liz Truss resigned on 20 October 2023 after her forty-nine-day premiership and became the shortest-serving prime minister in Britain's history. Before resigning, Truss sacked chancellor Kwasi Kwarteng. Former chancellor Rishi Sunak was then sworn in as the new UK prime minister.

In the US, Silicon Valley Bank (SVB) entered receivership with the Federal Deposit Insurance Corporation (FDIC) on 10 March 2023, with the regulator citing inadequate liquidity and solvency protection. SVB was the 16th largest bank in the US and represents the largest failure of a bank since the Global Financial Crisis. US treasury secretary Yellen approved actions that enabled the FDIC to resolve SVB in a way that fully protected all depositors. Shareholders and certain unsecured debt holders were not protected, however. The Federal Reserve also launched a new programme called the 'Bank Term Funding Program' which provided \$25 billion of potential liquidity.

Shortly after SVB's demise, investor concerns regarding Credit Suisse accelerated amidst reports that its top shareholder had ruled out further funding. UBS later agreed to buy Credit Suisse for \$3.25bn at CHF0.76 per share on 19 March 2023, representing a significant discount to its pre-crisis share price, after Swiss regulators urgently stepped in to broker a deal. The Swiss National Bank offered a CHF100bn liquidity line as part of the deal and the government provided a loss guarantee of up to CHF9bn after UBS took on the first CHF5bn of losses on certain assets. Under the deal's terms, CHF16bn of Credit Suisse's additional tier 1 capital bonds were written off to zero.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Investment report (continued)

In September 2022, the Russia-Ukraine conflict escalated after Moscow announced the annexation of four regions in south-eastern Ukraine - Donetsk, Luhansk, Kherson, and Zaporizhzhia. President Vladimir Putin vowed to use 'all the means' to defend the annexed territories. The European Union (EU) decided to implement a price cap on seaborne Russian oil while the US imposed sanctions on the governor of Russia's central bank. The US unveiled its plans to impose fresh sanctions on more than 200 entities throughout Europe, Asia, and the Middle East 'that are supporting Russia's war effort' in February 2023. Russian President Vladimir Putin announced on 21 February 2023 that Russia would suspend its nuclear weapons treaty with the US and also unveiled its plans to deploy tactical nuclear weapons in Belarus by July in March 2023. Russia cut oil production by 500,000 barrels a day in response to a price cap imposed by Western nations. In Q2 2023, G7 leaders prepared new sanctions against Russia, covering ships, aircraft, individuals, and diamonds. The G7 planned for a 'traceability' initiative for tracking Russia's diamond exports and intends to stop Moscow from bypassing sanctions through India. The US indicated that it would add 70 Russian groups to the 'entity list' that effectively bars companies from exporting products that use American technology to Russia. Meanwhile, Finland officially became the North Atlantic Treaty Organization's (NATO) 31st member after Turkey joined other NATO countries in supporting Finland's membership.

Elsewhere, the US imposed a ban on five Chinese entities from acquiring US technology and put 28 Chinese groups allegedly in breach of US sanctions on a trade blacklist. In a series of coordinated actions following a G7 meeting in February 2023, the UK also announced sanctions on selected Chinese entities, whilst the EU and Japan finalised similar trade bans. US-China trade tensions saw further escalation as Japan and the Netherlands entered into a trilateral agreement with the US that restricted exports of chip manufacturing tools to China. The agreement was designed to hinder the Chinese military's ability to develop advanced weapons. In Q2 2023, the G7 condemned China over the increasing military and economic security threats emanating from Beijing. Meanwhile, the Cyberspace Administration of China banned US-based chipmaker Micron Technology's products in China's biggest measure against a US semiconductor group, citing 'security risks to China's critical information infrastructure supply chain'.

UK prime minister Rishi Sunak and the European Commission president Ursula von der Leyen announced a new post-Brexit deal on Northern Ireland under the 'Windsor Framework' on 27 February 2023. The agreement aimed to ease trade barriers between Northern Ireland and the rest of the UK. The UK also announced a deal to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on 31 March 2023, becoming the first nation to join the group since its establishment in 2018. Current members of the group include Australia, Canada, Japan, and Mexico, amongst seven other countries. The UK government estimated that the agreement will increase UK GDP by only around 0.08% in the next 10 years.

Over the last year, the BoE raised its benchmark interest rate by 375bps to 5.0%, touching its highest level since 2008. The BoE became the first major central bank to actively start to unwind quantitative easing as it sold £750mn of government bonds in November 2022. Andrew Bailey, the BoE governor, indicated that the central bank is 'committed to returning inflation to the 2% target and will make the decisions necessary to achieve that'. The US Federal Reserve (Fed) increased its benchmark interest rate by 350bps to a range of 5.00%-5.25%, the highest level since 2007. Fed chair Jerome Powell indicated that the central bank intended to carry out further monetary tightening to bring inflation back to its 2% target. The European Central Bank (ECB) raised its deposit rates by 400bps to 3.5% over the year, its highest level since 2001. The ECB announced plans to start shrinking the €5tn of bonds it purchased over the last eight years from March 2023.

Brent crude oil prices fell by 34.8% to \$75/BBL over the last twelve months amidst weakening global demand including weak demand from China due to its 'zero-covid' policy. OPEC+ agreed production cuts though-out the year in an attempt to prop up oil prices.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Investment report (continued)

#### Market focus

US equities rose over the year, rising 19.6% in local currency terms. Following SVB's collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent history. Expectations for new revenue streams, driven by artificial intelligence, boosted optimism over US technology stocks. Information Technology was the best performing sector with a return of 37.4%.

UK equities were the second worst-performing major equity market over the year, rising 8.1%. Falling commodity prices weighed over the sizeable resource sector as the Materials sector rose by just 0.3% over the year. Amongst other major sectors, Energy and Financials rose 16.9% and 16.7% respectively. The Information Technology sector, with a c.1% weight in the index (MSCI United Kingdom), was the best performer, returning 35.8%. Economically sensitive sectors outperformed, with the Consumer Services, Industrials, Consumer Discretionary sectors returning 26.0%, 24.1% and 16.9% respectively.

Emerging markets (EM) were the worst-performing market in local currency terms over the last twelve months, rising only 3.8%. Increases in interest rates by major developed central banks and a strong dollar provided a headwind. The Chinese equity market was the worst performer (-15.7%) as slower-than-expected economic recovery, disappointing stimulus measures, and renewed US-China tensions exerted downward pressure.

On a global sector level, Information Technology (35.1%) and Industrials (26.3%) were the best performers in local currency terms. Real Estate (-5.7%) and Utilities (0.7%) were the worst-performing sectors.

The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss' resignation as prime minister. Later, in Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. In Q2 2023, the UK nominal gilt curve rose back up across all maturities with yields rising more at the short end of the curve relative to longer maturities. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 14.5% and index-linked gilts fell by 17.0% over the last twelve months.

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed by 20bps to 155bps but the index still declined 6.9% on rising gilt yields.

Sterling ended the twelve months 4.9% higher on a trade-weighted basis although it fell sharply in September amidst the gilt market volatility.

The MSCI UK property index returned -16.9% over the year as capital values depreciated as interest rates were hiked and economic growth slowed. The income return was 5.3% but the 21.2% decrease in capital values dominated the return. The retail, office, and industrials sectors fell 9.5%, 17.0%, and 23.2% respectively.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### **Engagement Policy Implementation Statement ('EPIS')**

The Trustees have prepared an Engagement Policy Implementation Statement in accordance with legislation. This statement is shown on pages 35 to 43.

### **Employer related investments**

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 21 to the financial statements.

### **Further information**

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustees' SIP can be inspected.

Individual benefit statements are provided to active deferred members annually and for deferred members on request. In addition to the information shown on these statements members can request details of the amount of their current transfer value. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact the administrator at the contact details on page 1 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustees with a report and financial statements on the operation of the Scheme. Aon Solutions UK Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustees, the data controller. Aon Solutions UK Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustees, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustees.

The Trustees or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

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### Other matters

#### Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with the previous Employers' scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

0800 731 0193  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

#### The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pension schemes.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton  
BN1 6AF

0345 600 1011  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

#### Registrar of Pension Schemes

The Trustees are required to provide certain information about the Scheme to the Registrar of Pension Schemes.

This has been forwarded to:

The Registrar of Pension Schemes  
PO Box 1NN  
Newcastle Upon Tyne  
NE99 1NN

0191 225 6316  
[communications@thepensionsregulator.gov.uk](mailto:communications@thepensionsregulator.gov.uk)

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## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Other matters (continued)

#### The Pension Protection Fund

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

The Pension Protection Fund can be contacted at:

PPF Member Services  
Pension Protection Fund  
PO Box 254  
Wyndham  
NR18 8DN

0330 123 2222  
ppfmembers@ppf.co.uk  
www.ppf.co.uk

#### Questions about pensions

If you have any questions about your pension, MoneyHelper, which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

MoneyHelper can be contacted at:

Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

0800 011 3797  
www.moneyhelper.org.uk

#### Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Scheme's Internal Dispute Resolution ('IDR') procedure, details of which can be obtained from the Administrator or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints brought by members and beneficiaries against the Trustees or the Scheme's Administrator in relation to maladministration or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

0800 917 4487  
helpline@pensions-ombudsman.org.uk  
www.pensions-ombudsman.org.uk

# UNUM PENSION SCHEME

## TRUSTEES' REPORT YEAR ENDED 30 JUNE 2023

### Statement of Trustees' Responsibilities

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- (i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- (ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:


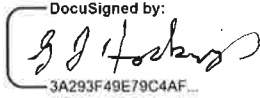
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustees' annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustees also have certain responsibilities in respect of contributions which are set out in the Statement of Trustees' Responsibilities accompanying the Trustees' Summary of Contributions.

The Trustees are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

### Approval

The Trustees' Report was approved by the Trustees and signed on their behalf by:

Trustee:   
Trustee:   
Date: 17-Jan-2024



# UNUM PENSION SCHEME

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## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF UNUM PENSION SCHEME

### Independent Auditors' Report to the Trustees of the Unum Pension Scheme

#### Opinion

We have audited the financial statements of UNUM Pension Scheme ('the Scheme') for the year ended 30 June 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 30 June 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Trustees conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

## UNUM PENSION SCHEME

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### INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF UNUM PENSION SCHEME

#### **Fraud and breaches of laws and regulations – ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustees as to the Scheme's high-level policies and procedures to prevent and detect fraud as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee meeting minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards we performed procedures to address the risk of management override of controls, in particular the risk that Trustees (or their delegates including Scheme administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the Level 3 pooled investment vehicles.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

##### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustees and their delegates (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustees and their delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

## UNUM PENSION SCHEME

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### INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF UNUM PENSION SCHEME

#### **Fraud and breaches of laws and regulations – ability to detect (continued)**

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)*

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 33 of the annual report.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Other information**

The Trustees are responsible for the other information, which comprises the Trustees' report (including the implementation statement, report on actuarial liabilities and the summary of contributions). Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

#### **Trustees responsibilities**

As explained more fully in their statement set out on page 14, the Scheme Trustees are responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to wind up the Scheme, or have no realistic alternative but to do so.

## UNUM PENSION SCHEME

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### INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF UNUM PENSION SCHEME

#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

*JW Hinks LLP*

**JW Hinks LLP, Statutory Auditor**  
Chartered Accountants  
19 Highfield Road  
Edgbaston  
Birmingham  
B15 3BH

Date: *17 January 2024*

## UNUM PENSION SCHEME

### FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 £000	2022 £000
Other income	4	31	-
Benefits paid or payable	5	(3,892)	(4,004)
Payments to and on account of leavers	6	(1,029)	(508)
Administrative expenses	7	(1,002)	(710)
		(5,923)	(5,222)
<b>Net withdrawals from dealing with members</b>		(5,892)	(5,222)
<b>Returns on investments</b>			
Investment income	8	2,219	3,254
Change in market value of investments	9	(39,614)	(55,499)
Investment management expenses	10	-	(145)
<b>Net returns on investments</b>		(37,395)	(52,390)
<b>Net decrease in the fund during the year</b>		(43,287)	(57,612)
<b>Opening net assets</b>		154,112	211,724
<b>Closing net assets</b>		110,825	154,112

The notes on pages 21 to 32 form part of these financial statements.

## UNUM PENSION SCHEME

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 30 JUNE 2023

	Note	2023 £000	2022 £000
<b>Investment assets</b>			
Pooled investment vehicles	12	108,317	152,035
AVC investments	13	1,257	1,472
Cash	14	20	20
Other investment balances	15	860	400
		110,454	153,927
<b>Total net investments</b>		110,454	153,927
<b>Current assets</b>	19	690	588
<b>Current liabilities</b>	20	(319)	(403)
<b>Net assets available for benefits at 30 June</b>		110,825	154,112

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustees' Report on page 5. These financial statements and Actuarial Certificate should be read in conjunction with this report.

The notes on pages 21 to 32 form part of these financial statements.

These financial statements on pages 19 to 32 were approved by the Trustees and were signed on their behalf by:

Trustee: DocuSigned by:  
*kate jarvis*  
ACBE3E56615B486...

Trustee: DocuSigned by:  
*G J Foster*  
3A293F49E79C4AF...

Date: 17-Jan-2024

# UNUM PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 1. Basis of preparation

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

### 2. Identification of financial statements

Unum Pension Scheme is a Defined Benefit occupational pension scheme established under trust under English Law.

The address of the Scheme's registered office is Milton Court, Dorking, Surrey, RH4 3LZ.

### 3. Accounting policies

The principal accounting policies applied to the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### Functional and presentational currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

#### Benefits paid or payable

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

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

#### Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Refunds and opt-outs are accounted for when the Trustees are notified of the member's decision to leave the Scheme.

#### Administrative expenses

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

#### Other income

Other income is accounted for on an accruals basis.

# UNUM PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### **Investment income**

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

Income arising from the underlying investments of the pooled investment vehicles, which is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

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

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

### **Change in market value of investments**

The change in market value of investments during the period comprise all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

### **Investment management expenses**

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

### **Valuation of investment assets**

#### **Investments**

Investment assets are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are:

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

The Trustees have reviewed the Scheme's insurance (annuity) policies which are held with ReAssure and have concluded that these are not material to the Scheme assets and Fund Account movement. Therefore, insurance (annuity) policies are not reported within these financial statements.

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

With profits insurance policies held as AVC investments are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.



## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 4. Other income

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Other income	31	-

Other income amount is related to Mr Churchills unfunded pension for the year.

#### 5. Benefits paid or payable

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Pensions	3,252	3,001
Commutations of pensions and lump sum retirement benefits	639	1,003
Lump sum death benefits	1	-
	3,892	4,004

#### 6. Payments to and on account of leavers

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Individual transfers to other schemes	1,029	508

#### 7. Administrative expenses

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Administration and processing	189	195
Actuarial fees	549	458
Audit fees	24	21
Legal fees	27	12
Other professional fees	207	22
Trustee fees and expenses	2	1
Sundry expenses	4	-
Bank charges	-	1
	1,002	710

Increase in other professional fees is due to inclusion of investment adviser fees.

#### 8. Investment income

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Income from pooled investment vehicles	2,195	3,248
Interest on cash deposits	19	1
Annuity income	5	5
	2,219	3,254

## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 9. Investments

	Opening value at 1 Jul 2022 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Closing value at 30 Jun 2023 £000
Pooled investment vehicles	152,035	195,430	(199,512)	(39,636)	108,317
AVC investments	1,472	-	(237)	22	1,257
	<u>153,507</u>	<u>195,430</u>	<u>(199,749)</u>	<u>(39,614)</u>	<u>109,574</u>
Cash	20				20
Other investment balances	400				860
Total net investments	<u>153,927</u>				<u>110,454</u>

#### Transaction costs

There are no direct transaction costs in the year nor in the previous year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustees to quantify these indirect costs.

#### 10. Investment management expenses

	2023 £000	2022 £000
Administration and management fees	-	145

#### 11. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

#### 12. Pooled investment vehicles

	2023 £000	2022 £000
Alternative funds	14,776	20,740
Bond funds	12,204	17,129
Cash and liquidity funds	1,145	1,607
Equity funds	41,888	58,795
Liability matching funds	38,304	53,764
	<u>108,317</u>	<u>152,035</u>

## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 12. Pooled investment vehicles (continued)

The legal nature of the Scheme's pooled arrangements is:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Authorised unit trust	75,151	105,482
Unit linked insurance policies	14,461	20,298
Limited Partnership	14,776	20,740
Exchange Traded Funds	3,929	5,515
	108,317	152,035

#### 13. AVC investments

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Utmost	19	18
Phoenix Life Limited	168	168
Standard Life	1,070	1,286
	1,257	1,472

The Trustees hold assets which are separately invested from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 30 June each year confirming the amounts held to their account and movements during the year.

A valuation at the year end for Phoenix Life have not been received, as a result the valuation shown above is based on the previous valuation, adjusted for subsequent cash movements.

Utmost, Phoenix Life and Standard Life can be further analysed as:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Unit trusts	187	186
With profits	1,070	1,286
	1,257	1,472

#### 14. Cash

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Cash	20	20
	20	20

## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 15. Other investment balances

	2023 £000	2022 £000
Cash in transit	860	400
	860	400

#### 16. Fair value hierarchy

FRS 102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the assessment dates.

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:

	Level 1 £000	Level 2 £000	Level 3 £000	2023 Total £000
<b>Investment assets</b>				
Pooled investment vehicles	1,052	83,414	23,851	108,317
AVC investments	-	1,070	187	1,257
Cash	20	-	-	20
Other investment balances	860	-	-	860
	1,932	84,484	24,038	110,454

	Level 1 £000	Level 2 £000	Level 3 £000	2022 Total £000
<b>Investment assets</b>				
Pooled investment vehicles	5,515	125,780	20,740	152,035
AVC investments	-	1,286	186	1,472
Cash	20	-	-	20
Other investment balances	400	-	-	400
	5,935	127,066	20,926	153,927

# UNUM PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 17. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

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

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

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

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

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

#### Risk management structure

The Trustees are responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustees appoint investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target allocations, benchmarks and risk tolerance levels consistent with the Statement of Investment Principles.

The Trustees review the performance of each investment manager against the agreed performance objectives.

#### Risk measurement and reporting

The Trustees monitor the Scheme's risks periodically.

The Trustees measure risks both qualitatively and quantitatively.

The Trustees monitor and measure the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

#### Risk mitigation

The Scheme has investment guidelines that set out its overall investment strategy and its general approach to risk management, as set out in the Statement of Investment Principles.

The Trustees have appointed an investment adviser to assist them in determining and implementing the investment strategy for the Scheme.

The Trustees acknowledge that its fund manager may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

# UNUM PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 17. Investment risks (continued)

#### 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.

The Scheme is indirectly exposed to credit risk arising from the instruments held by the pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst several pooled arrangements.

The Scheme has indirect exposure to credit risk because it invests in pooled funds that hold derivatives, bonds, cash balances and repurchase agreements.

- The credit risk arising from derivatives is managed by the underlying manager and reduced by collateral or margin requirements,
- The credit risk arising from bond holdings is mitigated by the underlying manager by investing in a diversified portfolio of assets,
- Repurchase agreements are held across a diversified panel of counterparties.

#### 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.

The Scheme is exposed to indirect currency risk through some of the Scheme's investments in overseas markets held in pooled investment vehicles.

The Scheme's approach to currency risk is to remove non-GBP currency exposure wherever possible in the developed markets, unless a tactical view on currency exposure is taken. All currency hedging is implemented through hedged share classes at the underlying pooled vehicles. The Fiduciary manager may express tactical currency views from time to time via an allocation to unhedged pooled vehicles share classes. In addition, the Scheme has unhedged currency exposure via the allocation to the ASG Reditus Fund.

At end of June 2023 the matching strategy (£54.1m) was invested in a combination of Liability Driven Investments and cash funds, all denominated in GBP. The growth strategy was split between currency hedged/GBP denominated and non-currency hedged exposure.

#### 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.

The Scheme has indirect exposure to interest rate risk through its fixed income pooled investments. At the end of June 2023, the Scheme had interest rate risk exposure through its investments in Government Bonds, Global Credit, High Yield Debt, Emerging Market Debt, cash and the matching strategy. At the end of June 2023 the monetary value for the aforementioned assets was £66.3m.

The Scheme targets a minimum level of interest rate and inflation risk to match the sensitivities of the Scheme's liabilities and thus reducing the risk of the funding deficit increasing as a result in a fall in government yields. This is primarily executed through the matching strategy by holding a combination of physical and synthetic (derivatives) exposure to Gilts and Index-Linked Gilts via pooled vehicles.

The level of interest rate exposure is monitored daily. The Scheme's exposure to interest rates will gradually increase over time as the Scheme de-risks, ultimately bringing the interest exposure of the assets in-line with the liabilities exposure (adjusted for the funding ratio).

# UNUM PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 17. Investment risks (continued)

#### 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.

The Scheme has indirect exposure to interest rate risk through its fixed income pooled investments. At the end of June 2023, the Scheme had interest rate risk exposure through its investments in Government Bonds, Global Credit, High Yield Debt, Emerging Market Debt, cash and the matching strategy. At the end of June 2023 the monetary value for the aforementioned assets was £66.3m.

The Scheme targets a minimum level of interest rate and inflation risk to match the sensitives of the Scheme's liabilities and thus reducing the risk of the funding deficit increasing as a result in a fall in government yields. This is primarily executed through the matching strategy by holding a combination of physical and synthetic (derivatives) exposure to Gilts and Index-Linked Gilts via pooled vehicles.

The level of interest rate exposure is monitored daily. The Scheme's exposure to interest rates will gradually increase over time as the Scheme de-risks, ultimately bringing the interest exposure of the assets in-line with the liabilities exposure (adjusted for the funding ratio).

#### 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 risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Indirect price risk arises principally from the Scheme's growth strategy, which is designed to generate long term returns. The level of price risk varies for each of the underlying investments. The portfolio has been designed to deliver an appropriate risk-return profile by investing across a diverse range of asset classes. The risk attributes of the portfolio are reviewed on a regular basis and rebalanced accordingly.

As at the end of June 2023 the Scheme's exposure to investments subject to other indirect price risk, namely the growth strategy, was £55.1m. In addition, the Scheme's exposure to Alternatives is subject to other price risk. As at the end of June 2023, the Scheme's exposure to Alternatives was £23.9m.

## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 17. Investment risks (continued)

##### Summary

The table below summaries the levels of risk arising across the Scheme's assets. Given the Scheme only invests in commingled vehicles the majority of credit risk and market risk arises from indirect exposure.

	Market risk				2023 £m
	Credit risk	Currency	Interest Rate	Other price	
Equities	h	n	h	s	19.0
Bonds/Credit and Cash Funds	s*	h	s	h	66.3
Alternatives	h	n	h	s	23.9
<b>Total</b>					<b>109.2</b>

Source: Investment Managers

\*In this instance we are referring to the indirect credit risk of the underlying holdings, rather than the direct credit risk associated with the Scheme owning units in pooled funds.

In the above table, the risk noted affects the asset class [s] significantly, [n] partially or [h] hardly/not at all.

The Actual allocation will vary from the above due to market price movements. The Scheme's Investment manager (BlackRock) is responsible for monitoring the Scheme's asset allocations in accordance with the central allocation and control ranges set out in the SIP.



## UNUM PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 18. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the net assets of the Scheme.

	2023		2022	
	Value £000	%	Value £000	%
LMF GBP PROF LONG REAL FLEX	33,074	29.85	34,278	22.23
ASG REDITUS FUND	23,851	21.53	20,740	13.46
LMF GBP PROF LONG NOMINAL FLEX	12,744	11.50	10,158	6.59
LMF GBP PROF SHORT NOMINAL*	5,951	5.37	-	-
AQ LIFE HDG ESG SCR IDX S1 ACC GBP**	-	-	11,198	7.27
BLK SUS EQ FACTOR PLUS D ACC GBP H**	-	-	7,942	5.15
SCHRODER ISF EMERGING MARKETS**	-	-	7,825	5.08

\*Less than 5% during 2022

\*\*Less than 5% during 2023

#### 19. Current assets

	2023 £000	2022 £000
Cash balances	690	588

#### 20. Current liabilities

	2023 £000	2022 £000
Accrued expenses	267	213
Accrued benefits	-	144
HM Revenue & Customs	52	46
	319	403

#### 21. Employer related investments

There were no direct Employer related investments during the year or at the year end (2022: Nil).

The Trustees recognise that indirect investment in the Employer's sponsor group, is possible through holdings in pooled investment vehicles. The Trustees believe that any indirect exposure to shares in the Employer sponsor group was no more than 5% of the Scheme assets at any time during the year or at year end.

# UNUM PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 22. Related party transactions

Related party transactions and balances comprise:

#### Key management personnel

Fees and expenses were paid to the Trustees in the amount of £2k (2022: £1k) by the Scheme.

The membership status of the Trustees at the year end is as below:

G Hockings – pensioner (2022: pensioner)  
B Mansfield – deferred (2022: deferred)  
R Spencer – pensioner (2022: pensioner)  
P Sprules – in service deferred (2022: in service deferred)  
P Tompkins – pensioner (2022: pensioner)  
K Jarvis – non-member (2022: non-member)

#### Employer and other related parties

The Principal Employer is considered a related party.

The Principal Employer meets the premiums for any insurance death benefits provided under the Scheme and all levies payable to the Pensions Regulator or the Pension Protection Fund.

During the year ended 30 June 2023 the Principal Employer met the fees of the Independent Trustee directly of £TBU.

### 23. Contingent assets and liabilities

#### GMP equalisation

In October 2018, the High Court determined that pension schemes must adjust members' benefits for the effects of unequal Guaranteed Minimum Pensions ('GMPs') between men and women. This ruling potentially affects members of the Unum Pension Scheme who earned benefits between May 1990 and April 1997. Such members might be eligible for an increase in their pension, although not every such member will be affected and in many cases any increase is likely to be small.

In November 2020, the High Court determined that GMPs accrued between May 1990 and April 1997 also need to be equalised for members who had previously transferred-out. Under the ruling, schemes are required to calculate and pay a top-up to the receiving scheme and provide interest on the top-up amounts.

Based on an initial assessment the Trustees do not expect the likely amounts and related interest for either ruling to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

The Trustees are continuing to review, with their advisers, the implications of both rulings on the Scheme. When this review is completed and adjustments to benefits are determined, the Trustees will communicate with affected members. This process is likely to take several years.

In the opinion of the Trustees, the Scheme had no other contingent assets and liabilities as at 30 June 2023 (2022: £Nil).

#### Contingent asset

As described in the Summary of Contributions on page 34 the Employer is paying contributions of £1.24 million p.a. into an escrow account that is governed by a Deed that allows payments to be made from the escrow account to the Scheme/Employer if certain conditions are met. At 30 June 2023 the balance in the escrow account was £620,000.

# UNUM PENSION SCHEME

## INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF UNUM PENSION SCHEME

### Independent Auditor's Statement about Contributions to the Trustees of the Unum Pension Scheme

#### Statement about contributions

We have examined the Summary of Contributions payable under the Schedule of Contributions to the Unum Pension Scheme in respect of the Scheme year ended 30 June 2023 which is set out on page 34.

In our opinion contributions for the Scheme year ended 30 June 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 30 September 2022.

#### Scope of work on statement about contributions

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

#### Respective responsibilities of Trustees and Auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 34, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer. The Trustees are also responsible for keeping records in respect of contributions received 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 to the Scheme and to report our opinion to you.

#### The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our work, for this statement, or for the opinions we have formed.

*JW Hinks LLP*

#### **JW Hinks LLP, Statutory Auditor**

Chartered Accountants  
19 Highfield Road  
Edgbaston  
Birmingham  
B15 3BH

Date: *17 January 2024*

# UNUM PENSION SCHEME

## SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 30 JUNE 2023

### Statement of Trustees' Responsibilities in respect of Contributions

The Scheme's Trustees are responsible under pension's legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustees are also responsible for keeping records of contributions received and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 30 September 2022 in respect of the Scheme year ended 30 June 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

During the year ended 30 June 2023 the contributions payable to the Scheme were as follows:

	Employer £000	Employees £000	Total £000
<b>Contributions payable under the Schedule of Contributions and as reported by the Scheme auditor</b>			
<b>Total contributions reported in the financial statements</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

The Company will pay £1.24 million p.a payable monthly from January 2023 to June 2026 inclusive into an escrow account. The operation of the escrow account is governed by a Deed Relating to Release Events dated 30 September 2022. The escrow Deed sets out further information about the payments to be made from the escrow account to the Scheme and/or the Employer. There are provisions within the escrow Deed for payments to be made from the escrow to the Scheme in certain circumstances. In particular, if by the 30 June 2026 there remains a deficit on the technical provisions basis, a payment will be made from the escrow account to the Scheme by 30 September 2026 equal to the lower of the technical provisions deficit and the value of the escrow account.

The Escrow Deed includes more information about the mechanics of this calculation. If the assumptions play out in practice, these contributions together with investment returns on Scheme assets of 0.25% pa above the technical provisions discount rate will remove the deficit relative to the technical provisions by 30 September 2026.

The Summary of Contributions was approved by the Trustees and signed on their behalf by:

Trustee:

DocuSigned by:  
*Kate Jarvis*  
ACBE3E56615B486...

Trustee:

DocuSigned by:  
*G J Hobbs*  
3A293F49E79C4AF...

Date:

17-Jan-2024

# UNUM PENSION SCHEME

## ACTUARIAL CERTIFICATE

### 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 could have been expected on 30 June 2021 to be met by the end of the period for which the schedule is to be in force.

### 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 30<sup>th</sup> September 2022

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: **Robert Sergeant**  
Qualification: **Fellow of the Institute and Faculty of Actuaries**  
Employer: **Aon Solutions UK Limited, Briarcliff House, Kingsmead, Farnborough, Hampshire, GU14 7TE**  
Date: **30-Sep-2022**

## APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

### Engagement Policy Implementation Statement ('EPIS')

#### Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustees are required to produce an annual Engagement Policy Implementation Statement ('EPIS'). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles ('SIP') have been followed.

This statement covers the Scheme's accounting year to 30 June 2023. It is intended to meet the updated regulations and will be included in the Scheme's Report & Accounts. In preparing this statement, the Trustees have taken advice from their professional advisers.

This statement details some of the activities taken by the Trustees, the Manager and the investment managers during the period, including voting statistics, and provides the Trustees' opinion on the stewardship activities over the period.

#### Policies

The Trustees relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available being published online and will be updated from time-to-time.

The Trustees have appointed BlackRock as the Fiduciary Manager ('the Manager') for the Scheme. The Trustees delegate the day-to-day investment decisions and asset allocation to the Manager. The Trustees retain responsibility for the strategic investment objective and oversight of the Manager.

During the year to 30 June 2023 the Trustees did not update the SIP, as such the policies contained in the December 2021 SIP are those which are relevant to this Statement, which can be accessed online.

The Trustees note the 'Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement' in July 2022. Going forwards, the Trustees plans to develop its policies and build more elements of this guidance into future iterations of this statement.

#### Scope of the statement

The Trustees acknowledge that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio. For example, in general, voting rights are not attached to fixed income securities, while the applicability to the LDI (liability-driven investment) portfolio is limited. Nonetheless, the Trustees and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant.

#### Scheme activity

The SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors and stewardship. This policy sets out the Trustees' beliefs on ESG and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees receive ESG reporting in the quarterly investment report, which includes aggregate and asset class level reporting of ESG scores relative to an appropriate benchmark. The Trustees use this to measure how the overall Scheme assets are invested and assess the metrics over time.

The Manager now rates each underlying strategy based on the strength of their ESG policies and actions and provides a summary of the ESG scores to the Trustees on a quarterly basis, as part of the investment report. This allows the Trustees to establish how each underlying manager scores from an ESG perspective as well as measure relative improvements quarter on quarter.

# UNUM PENSION SCHEME

## APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

### Engagement Policy Implementation Statement (continued)

#### Scheme activity (continued)

As of year-end, 5 of the 10 active strategies had an ESG score of 'Advanced', the highest rating. The remaining strategies scored 'Aligned'. The Trustees are comfortable that these scores are a strong reflection of their beliefs with all managers having the two highest scores (Advanced and Aligned). Furthermore, the Trustees recognise that the Manager is engaging with the underlying managers to ensure they work to further improve their ESG policies and actions over time. As part of the Trustees' ESG policy, the Manager is required to request the underlying managers' policies and their adherence to them. The Manager reviews the policies of each underlying manager to ensure that these are appropriate.

The Trustees expect the Manager to continue to work with underlying managers in order to ensure those on the weaker side of voting and engagement take action to make improvements. The Manager has acknowledged that all managers have been taking steps to improve both their voting and engagement and 'best in class' continues to evolve. The Trustees will be closely monitoring developments over the coming years.

#### Voting and Engagement

The Trustees have delegated to the Manager the responsibility of collecting the stewardship and engagement reports of the underlying managers and assessing the suitability. The Trustees also expect the Manager to monitor the underlying manager's activity to ensure compliance and confirm that it remains a suitable investment for the Scheme. The Trustees are comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The Manager has noted that there is variability between managers in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. This Implementation Statement focuses on the Scheme's equities managers. It is intended that in future years there will be greater focus on other asset classes, in particular the fixed income managers.

The section below details the investment managers' approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Scheme is invested.

In addition, summary voting statistics in respect of the Scheme's equities funds over the year to 30 June 2023 have been included. Voting statistics have been reported over the one-year period to 30 June as this likely to result in greater coverage across investment managers and therefore also provide greater comparability and consistency going forwards.

#### BlackRock

The Scheme has a portion of its Growth assets invested in funds managed by the Manager. Given the Manager's appointment as both the fiduciary manager as well one of the investment managers, the Trustees recognise the importance of ensuring that the Manager's own policies and actions are appropriate for the Scheme. The Manager publicises its own policies as well as quarterly updates online (which can be accessed here) which the Trustees have visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and engagement. The Trustees are comfortable that the transparency of the Manager in publicising reports and developments online ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of the Manager at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustees by the Manager on a more granular level.

# UNUM PENSION SCHEME

## APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

### Engagement Policy Implementation Statement (continued)

#### BlackRock (continued)

With the exception of the BlackRock European Equities fund, the Scheme's BlackRock equities funds are passive (i.e., index) strategies. In respect of passive strategies, there is a wide universe of underlying companies which may number in the hundreds if not thousands. Where strategies are actively managed, investments are typically more concentrated. As such, ownership is more concentrated for actively managed strategies and therefore there will be fewer resolutions in which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, in the context of passive strategies, it is important that voting and engagement rights are exercised and that this is monitored. An example of a significant vote in respect of the BlackRock European Equities fund is included below. The summary voting statistics below illustrate that the voting rights attached to the underlying investments in these instances have been exercised to a large extent.

The Manager's approach to voting is described in the table below, along with summary voting statistics for the Manager's equities funds.

	<p>BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty and as a way to enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed.</p> <p>The BlackRock Investment Stewardship team does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance matters and, for those clients who have given BlackRock authority, through voting proxies in the best long-term economic interests of its clients.</p> <p>BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ('BIS'), which consists of three regional teams – Americas ('AMRS'), Asia-Pacific ('APAC'), and Europe, Middle East and Africa ('EMEA') - located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.</p>
<b>Approach to voting</b>	<p>Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and it does not blindly follow their recommendations on how to vote. BlackRock does not follow any single proxy research firm's voting recommendations. It subscribes to two research providers and uses several other inputs in its voting and engagement analysis, including a company's own disclosures, public information and ESG research.</p> <p>BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.</p>
<b>BE Semiconductor or Industries N.V (Besi)</b>	<p>Besi is a Dutch multinational company that designs and manufacturers semiconductor equipment. BIS has regularly engaged with Besi due to poor remuneration practices.</p>



## UNUM PENSION SCHEME

### APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

(Dutch  
manufacture)

In 2022, BIS voted against Besi's remuneration for generous discretionary rewards to the CEO that had no compelling rationale. The proposed rewards included an additional 103,000 shares worth 5.7m euros. As a result, BIS believed the CEO's overall pay package was excessive and almost 9 times above the company's peer group.

In addition, the company did not submit a new remuneration policy after the former was rejected in 2021. Questions have also been raised on the appropriateness of some of the company's performance metrics where there is double counting of the same performance.

However, following a constant dialogue with the company, BIS and BlackRock's European Equity team have noted significant improvements in the remuneration practices, including:

- Transparency on the approach used when determining pay
- Introducing a cap that is applicable as a percentage of base salary
- Introducing share ownership requirements

BIS look forward to seeing the result of the changes to remuneration practices at the 2023 AGM.

YUM! Brands, Inc. (Yum!) is a restaurant company that owns and operates the KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill restaurant franchises.

BIS' engagement history with Yum!'s management has centered on the corporate governance topics that, in their assessment, are important for long-term financial value creation for investors. BIS have engaged with Yum! to understand their approach to human capital management as well as the board's oversight of, and management's approach to, climate-related risks and opportunities in the context of Yum!'s franchised business model and their markets of operation.

**YUM! Brands,  
Inc. (Yum!)**  
(US restaurant  
company)

At the May 2023 AGM there were five shareholder proposals. One shareholder proposal addressed the company's plans to reduce single-use plastic packaging. This shareholder proposal requested that Yum!'s board issue a report 'describing how the Company will reduce its plastics use by shifting away from single-use packaging' in response to recent regulatory trends in certain jurisdictions which have levied taxes on and/or banned the use of single-use plastic products. The proposal further clarified that such a report should explicitly 'evaluate dramatically reducing the amount of plastic' used in the company's packaging.

In July 2022, Yum! updated their sustainable packaging policy, outlining the actions they have taken and those that they plan to take to address the issue of plastic-based packaging. Among other things, the company set goals to eliminate unnecessary plastics use, reduce virgin plastic content by 10%, and move consumer-facing plastic packaging to be reusable, recyclable, or compostable by 2025 across all brands. BIS notes that there are areas where, in their assessment, Yum! could improve their disclosure, particularly in setting targets for reusable packaging. However, Yum!'s existing disclosures and commitments are sufficiently comprehensive for investors to understand their approach.

BIS, therefore, does not consider it is necessary for shareholders to direct management to undertake a review of them less than a year after the release of the new policy and targets. As a result, BIS did not believe it was in the financial interests of their clients to support this shareholder proposal and voted against the proposal.

**BlackRock  
Europe  
Equities  
(Active)**

#### Year to 30 June 2023

Votable proposals	818
% of resolutions voted	82%
% of resolutions voted against management	6%
% of resolutions abstained	1%

## UNUM PENSION SCHEME

### APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

<b>BlackRock US Equities (Index)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	7,390
	% of resolutions voted	99%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
<b>BlackRock UK Equities (Index)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	15,046
	% of resolutions voted	97%
	% of resolutions voted against management	3%
	% of resolutions abstained	1%
<b>BlackRock Asia Pacific Equities (Index)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	3,157
	% of resolutions voted	100%
	% of resolutions voted against management	11%
	% of resolutions abstained	0%
<b>BlackRock Japan Equities (Index)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	5,983
	% of resolutions voted	99%
	% of resolutions voted against management	3%
	% of resolutions abstained	0%
<b>iShares S&amp;P 500 ETF (Index) <i>(Bought in October 2022)</i></b>	<b>Year to 30 June 2023</b>	
	Votable proposals	7,180
	% of resolutions voted	100%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
<b>iShares Edge MSCI USA Value Factor ETF (Index) <i>(Bought in February 2023)</i></b>	<b>Year to 30 June 2023</b>	
	Votable proposals	2,075
	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%
<b>BlackRock Factor Equities (Active)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	2,832
	% of resolutions voted	94%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
<b>BlackRock Thematic Equities (Active)</b>	<b>Year to 30 June 2023</b>	
	Votable proposals	3,426
	% of resolutions voted	91%
	% of resolutions voted against management	4%
	% of resolutions abstained	0%

# UNUM PENSION SCHEME

## APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

### Engagement Policy Implementation Statement (continued)

#### Other investment managers

The approach to voting and engagement of the Scheme's other equities managers, Schroders and Wellington are detailed below. These managers are appointed in relation to the Scheme's equity holdings.

#### Schroders:

---

<b>Approach</b>	<p>The overriding principle governing Schroders' approach to voting is to act in the best interests of its clients. Schroders' voting policy and guidelines are outlined in its publicly available Environmental, Social and Governance Policy. Schroders evaluates voting issues arising and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, performance, governance, strategy and personnel.</p> <p>It is Schroders' policy to vote all shares at all meetings globally, except where there are onerous restrictions – for example, shareblocking. Schroders utilises the services of ISS and the Investment Association's Institutional Voting Information Services ('IVIS') in conjunction with its own research and policies when formulating voting decisions. With regards to abstaining from votes, Schroders' preference is to support or oppose management and only use an abstention sparingly. Schroders may abstain where mitigating circumstances apply, for example where a company has taken some steps to address shareholder issues.</p> <p>For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders has implemented a custom policy that reflects the views of its ESG policy and is administered by Schroders' proxy voting provider, ISS. Schroders votes on both shareholder and management resolutions.</p>
<b>Bank Mandiri (BMRI)</b> (Indonesian Bank)	<p>The Schroders investment team contacted BMRI to discuss the bank's approach to deforestation risk. This example is from Q4 2022. Schroders discussed the company's large exposure to palm oil within their lending book, which accounts for 11% of the loan book. BMRI responded that since it is the largest bank in Indonesia, it is difficult to not have lending exposure to palm oil. However, BMRI has adopted a No Deforestation Policy to address deforestation risk.</p> <p>This policy requires that all new palm oil related borrowers be ISPO and/ or RSPO certified, and BMRI encourages existing borrowers to become certified. As a result, there has been an overall increasing in the trend of certification. In 2019, 60% of borrowers were certified, that has now increased to 93% of corporate borrowers and 87% of commercial borrowers in 2022. BMRI confirmed they have a target of 100% of borrowers being certified by 2025 or 2026. Schroders acknowledges BMRI's efforts to increase the certification percentage and continues to monitor the progress against their deforestation targets.</p>
<b>Grupo Mexico</b> (Mexican mining, transportation, infrastructure company)	<p>As part of Schroders' ongoing engagement efforts with Grupo Mexico, the investment team engaged on ESG topics including gender diversity in the board. This example is from Q4 2022. Grupo Mexico did not respond to Schroders' Q1 2022 survey on board gender diversity in emerging markets. The company has no female board members and Schroders has encouraged the company to consider gender balance since Schroders have been voting against companies in Latin America without female board representation.</p> <p>Grupo Mexico is behind in most aspects of ESG but in recent years it has been making several improvements. Improvement in areas include:</p>

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## UNUM PENSION SCHEME

### APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

- ESG oversight
- Engagement with third party agencies
- Community relations and relations with the Mexican government
- Communications on ESG topics with some progress toward sustainability reporting

Grupo Mexico is at the start of their ESG journey however Schroders are confident that the with a gender balanced Board structure, it will bring their journey to be in line with international best practice.

In addition, Schroders has continued to further their climate change campaign efforts and has written to multiple emerging market companies setting out their Net Zero expectations, asking them to decarbonise business models and set targets covering Scope 1, 2, and 3 emissions. Schroders asked companies to report their climate-related risks annually and report on how companies expect to manage the risks.

	Year to 30 June 2023	
<b>Schroders EM Equities</b>	Votable proposals	2,169
	% of resolutions voted	95%
	% of resolutions voted against management	10%
	% of resolutions abstained	5%

**Banco de Chile SA**  
(Chilean bank and financial services company)

Banco de Chile is a Chilean bank and financial services company. At the March 2023 AGM, the re-election of 9 Board Directors was up for a vote. The current board composition doesn't meet best practices in terms of independence and gender diversity. Schroders engaged with the company to address these issues through a formal letter and a follow up meeting. To escalate their concerns, Schroders voted against the re-elections of the 9 Board Directors. Despite their votes, the Directors were re-elected. Schroders will continue to engage with the company on these issues.

#### Wellington:

**Approach**

Wellington votes according to its Global Proxy Voting Guidelines and employs a third-party vendor, Glass Lewis, to perform administrative tasks related to proxy voting. Wellington does not automatically vote proxies either with management or in accordance with the recommendations of third-party proxy providers, ISS and Glass Lewis. Wellington has its own ESG Research Team, which provides voting recommendations. Based on these resources and in conjunction with Wellington's Global Proxy Voting Guidelines, individual portfolio managers have authority to make final decisions on voting. There is no 'house vote'. Wellington's proxy voting system allows different votes to be submitted for the same security. Various portfolio managers holding the same securities may arrive at different voting conclusions for their clients' proxies.

**Wix.com Ltd**  
(An Israeli software company)

Wix.com Ltd, together with its subsidiaries, develops and markets a cloud-based platform that enables anyone to create a website or web application in North America, Europe, Latin America, Asia, and internationally. At the December 2022 annual general meeting, the company put its executives compensation policy to a shareholder vote. The compensation policy was an update from their 2019 plan, and while the new plan included positive changes, such as reducing their options overhang, other concerns remained. The discretionary nature of the award, as well as an unclear board review process were two outstanding issues. Wellington voted against the policy to encourage the company to provide clarification of these issues. The compensation policy is also not put to annual vote, so Wellington thought it was important to use their vote now to communicate their dissatisfaction to the company.

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### APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

		Year to 30 June 2023
<b>Wellington Small Cap Equities</b>	Votable proposals	1,459
	% of resolutions voted	99%
	% of resolutions voted against management	4%
	% of resolutions abstained	0%

#### American Century

American Century's (ACI) Guiding ESG Principle are outlined in its ESG Policy and are as follows:

ACI's primary mission is to deliver superior, long-term, risk-adjusted returns for clients. ACI focuses on material ESG issues, which are financially material. ACI seeks to integrate the analysis of potential risks and opportunities associated with ESG issues into its fundamental research process. ACI's goal is to mitigate downside risks and capture upside potential without compromising its fiduciary duty to act in the best interest of clients.

**Approach** ACI states that *'in addition to conducting business with the highest ethical standards and complying with all applicable laws and regulations, our ESG approach is regularly reviewed against industry investment stewardship and governance standards and other ESG methodologies to ensure alignment with our processes.'*

American Century subscribes to the proxy voting services of Institutional Shareholder Services ('ISS'), including their proxy voting platform, voting advisory services, and vote disclosure services. While American Century reviews and considers ISS's research, analysis, and recommendations, it votes proxy using the ISS voting platform in accordance with the ACI's proxy voting policies, which can differ from those of ISS.

**The AZEK  
Company Inc.**  
(American  
designer and  
manufacturer)

The AZEK Company Inc. is an American designer and manufacturer of outdoor living products. At the Annual Meeting of Shareholders in February 2023, a vote was proposed to ratify named Executive Officers' compensation. American Century voted against this proposal because of the following concerns:

- The majority of equity awards to the CEO are not tied to performance-contingent pay elements
- The CEO pay is high relative to company performance compared to the company's peers

Despite their vote, the proposal was passed. American Century will continue to monitor the company's remuneration practices and engage with the company to improve these.

		Year to 30 June 2023
<b>American Century Small Cap Equities</b>	Votable proposals	1,540
	% of resolutions voted	98%
	% of resolutions voted against management	11%
	% of resolutions abstained	0%

#### J P Morgan

**Approach**

JP Morgan has an explicitly stated investment stewardship philosophy, believing that the companies they engage with will produce better long-term financial results, while simultaneously contributing to an improved society. JP Morgan's stewardship activities are based on proprietary environmental, social and governance research, driven by both their broad investment teams in addition to a dedicated Sustainable Investing team.

## UNUM PENSION SCHEME

### APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)

JP Morgan subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS), GES International (Sustainalytics) and Glass Lewis.

JP Morgan's Sustainable Investing Oversight Committee is made up of chief investment officers and leaders from its sustainable investing and control functions, and serves as a single point of strategic oversight, decision-making, review and assurance. The business employs regional heads of stewardship to work with local teams, while the Global Head of Sustainable Investing, Jennifer Wu, oversees the global stewardship effort. With regards to engagement, JP Morgan conducts approximately 500 dedicated ESG engagement meetings per year.

**Ping An Bank  
Co., Ltd**  
(Chinese  
commercial bank)

Ping An Bank is a Chinese commercial bank offering services in retail and corporate banking. In November 2022, the re-election of four directors and an audit committee was up for a vote. JPM decided to withhold support for the four directors and audit committee because of their concerns about inadequate board and audit committee independence. While these resolutions were passed, JPM will continue to engage with the company on better corporate governance practices. JPM expects at least a majority independence for Ping An Bank's board, which fell from 38% to 33%, after the shareholder meeting.

		Year to 30 June 2023
<b>JPM China Equities</b>	Votable proposals	746
	% of resolutions voted	100%
	% of resolutions voted against management	12%
	% of resolutions abstained	0%

#### Concluding remarks

The Trustees are comfortable that the policies in the SIP have been followed over the year to 30 June 2022. The Trustees expect that the format and content of this statement will continue to evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Trustees recognise the responsibility that institutional investors have to promote high standards of investment stewardship and will continue to use the influence associated with the Scheme's assets in order to positively influence the Scheme's investment managers.