AXA UK Group Pension Scheme

Scheme Registration Number: 477312

Trustee’s Annual Report and Financial Statements
For the Year Ended 31 March 2023

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Trustee, Principal Employer and Advisers

Trustee
AXA UK Pension Trustees Limited

Principal Employer
AXA UK plc (AXA UK)

Employers
AXA Assistance (UK) Limited
AXA Business Services (Private) Limited
AXA Group Operations UK Ltd
AXA Group Services Limited
AXA Investment Managers UK Limited
AXA Liabilities Managers (UK Branch)
AXA PPP Healthcare Group Ltd
AXA Services Limited

Actuary
Tina Kripps, FIA
Willis Towers Watson Limited

Independent Auditor
Crowe U.K. LLP

Administrators
Capita Pension Solutions Limited

Legal Advisers
Travers Smith LLP
Linklaters LLP (additional adviser for Longevity Swap Transaction)

Investment Custodian
J P Morgan plc

Investment Advisers

Defined Benefit Section
Redington Limited

Trustee, Principal Employer and Advisers

Investment Managers

Defined Benefit Section
Alliance Bernstein Limited
AXA Investment Managers UK Limited
Ardian Investment UK Limited
AXA Real Estate Investment Managers UK Limited
BlackRock Investment Management (UK) Limited
M & G Investment Management Limited
Schroder Investment Management Limited
Wellington Management International Limited
Allspring Global Investments (UK) Limited (formerly Wells Fargo Asset Management Limited)

Defined Benefit Section AVC Providers
Aviva
ReAssure Life

Banks
Chase Manhattan Bank BA
National Westminster Bank plc

Annuity Broker (Independent Financial Adviser)
Hargreaves Lansdown Pensions Direct Limited

Contact for Further Information
Mr J Manuel APMI
Head of Pensions Administration and Trustee Services
AXA UK plc
20 Gracechurch Street
London EC3V 0BG

e-mail: pensiontrustees.uk@axa.co.uk

Trustee's Report

The Trustee of the AXA UK Group Pension Scheme ("the Scheme") is pleased to present its report together with the Financial Statements for the year ended 31 March 2023. The Scheme is a hybrid scheme, comprising of Defined Benefit ("DB") section and Defined Contribution ("DC") section. The DC section closed on 30 September 2020 and members were transferred to a Master Trust arrangement with LifeSight, some of the DC assets were still held by the Trustee and are reflected in these accounts.

The purpose of this report is to describe how the Scheme and its investments have been managed during the year.

The financial position of the Scheme is fully investigated by the Scheme Actuary on behalf of the Trustee at least once every three years. The latest formal actuarial valuation as at 31 March 2021 was completed in February 2022 with a revised Schedule of Contributions certified on 24 February 2022.

Scheme Management

Trustee

The Scheme has one corporate Trustee AXA UK Pension Trustees Limited (AXAPTL).

The Directors during the year, and since the year end were:

Mr A Bradshaw – Ross Trustees Services Limited- Company-appointed (resigned November 2022)

Ms D Chua – Company-appointed (resigned December 2022)

Mr E Davis – Member-nominated

Ms S Pitt – The Law Debenture Pension Trust Corporation plc – Independent Trustee

Mr K Smith – Member-nominated

Mr S Yandle – Zedra Governance Limited (formerly Clear Pen Solutions Limited) - Company-appointed

Mr I Craston – Company-appointed (appointed June 2023)

The Trustee governance structure was amended with effect from 1 January 2023.

Up to 31 December 2022, Trustee Board meetings were usually held quarterly. In addition, there are a number of Trustee Committee meetings are held to deal with specific areas of the Scheme's administration in greater detail. Committee members are chosen by the directors of AXAPTL.

With effect from 1 January 2023, the majority of the items discussed by the Committees is now discussed by the full Trustee Board. On a quarterly basis there are usually two Trustee Board meetings. One Trustee meeting is principally focused on Investment and Funding, while the other Trustee meeting is focused on items previously discussed by the ACC and GAC noted below.

During the year to 31 March 2023, there were five Trustee Board meetings.

DB Investment Committee

Trustee Directors:	Zedra Governance Limited (formerly Clear Pen Solutions Ltd): Mr S Yandle – Chair
	The Law Debenture Pension Trust Corporation plc: Ms S Pitt
	Ross Trustees Services Limited: Mr A Bradshaw (resigned November 2022)
	Ms D Chua (resigned December 2022)

The Investment Committee up to 31 December 2022 met quarterly to deal with investment matters relating to the Scheme.

Trustee's Report

Governance and Audit Committee (GAC)

Trustee Directors:	The Law Debenture Pension Trust Corporation plc: Ms S Pitt - Chair
	Ross Trustees Services Limited: Mr A Bradshaw (resigned 18 November 2022)
	Mr K Smith
	Mr E Davis

The GAC up to 31 December 2022 met at least four times a year to ensure that the Scheme complies with all legal and regulatory requirements including the production of the Scheme's Annual Report and Financial Statements, monitoring of the Scheme's risk exposures and reviewing of the strategic and annual plans. Since 1 January 2023, these tasks have been discussed by the full Trustee Board, a specific GAC meeting was held in September 2023.

Strategy Committee

Trustee Directors:	Zedra Governance Limited (formerly Clear Pen Solutions Ltd): Mr S Yandle - Chair
	The Law Debenture Pension Trust Corporation plc: Ms S Pitt

The Strategy Committee deals with specific matters that may arise relating to the Scheme. It makes recommendations to the Trustee on matters that are specifically referred to it by the Trustee Board or matters of such urgency that they cannot be reviewed by the Trustee Board (or a Committee of the Trustee Board which has the appropriate authority) within the requisite time scale or the requisite detail. It normally has no decision-making powers and meets on an ad hoc basis.

Administration and Communication Committee (ACC)

Trustee Directors:	Mr K Smith – Chair
	Mr E Davis
	Zedra Governance Limited (formerly Clear Pen Solutions Ltd): Mr S Yandle

This committee up to 31 December 2022 met at least four times a year to review and approve member communications, to monitor the administration and to manage and implement the benefit correction, data cleansing, GMP rectification and GMP equalisation projects. Since 1 January 2023, there were two ACC meetings arranged to ensure detailed discussions regarding the GMP equalisation project.

Benefits Committee (BCC)

Trustee Directors:	Mr E Davis – Chair
	The Law Debenture Pension Trust Corporation plc: Ms S Pitt

The Benefits Committee meets on an ad-hoc basis to deal with complex complaints or complex discretionary benefits claims such as ill health cases and death benefit claims.

Valuation Working Party

Trustee Directors:	Mr K Smith
	Ross Trustee Services Limited: Mr A Bradshaw (resigned 18 November 2022)
	The Law Debenture Pension Trust Corporation plc: Ms S Pitt

The Valuation Working Party meets regularly during the triennial valuation process. It negotiates with the Company in relation to the Valuation and makes recommendations to the Trustee Board.

The Trustee sets up other working groups as required for specific projects or as required.

The Trustee and the Principal Employer encourage and support trustee training; in addition to the provision of external training courses for both new and existing Trustee Directors (including The Pension Regulator's online training), education items are regularly included on Trustee and Committee meeting agendas and two trustee training days were held during the year to 31 March 2023.

The power of appointment and removal of Trustee Directors is vested in the Principal Employer. In addition, Law Debenture must be replaced by another Independent Trustee (to be chosen by AXAPTL) if it and the Principal Employer were to come under the same control or if it is no longer entitled to act as a Trustee of the Scheme. AXAPTL and the Principal Employer have the power to remove Law Debenture in which case AXAPTL must appoint a replacement Independent Trustee.

Further information about the Scheme is given in the explanatory booklets that are issued to all members. Details are also available on the website (www.axa-employeebenefits.co.uk).

Financial Development

The Financial Statements on pages 38 to 65 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

The value of the fund at 31 March 2023 was £4.0 billion (2022: £5.5 billion). There was a decrease that comprised of net withdrawals from dealings with members of £196.7 million (2022: £110.5 million) together with net decreases on investments of £1,396.5 million (2022: increase of £116.9 million).

Parent Company Guarantee (terms agreed as part of the 2018 Valuation agreement)

To ensure the security of members' benefits for the future, AXA UK had provided a funding guarantee of £1.2 billion which means that, should any of the AXA companies with employees in the Scheme be unable to pay their contributions, or those of other AXA companies in the UK, then AXA UK would pay the required contributions up to this amount. Should AXA UK not meet its obligations under the guarantee, AXA Group in Paris (AXA SA) would pay the required contributions up to the same maximum of £1.2 billion.

The level of funding guarantee from the Principal Employer would reduce over time reflecting the expected improvement in the Scheme's funding position; however, the Principal Employer had agreed that until 2028 the guarantee would never be less than £650 million and from 2026, it would be re-assessed, based on future valuations.

It was expected that, by 2028, the Scheme should be in a much stronger funding position so that further funding guarantees would no longer likely to be required. Under the terms of the AXA SA guarantee, the Initial Guarantee Amount could be reduced to £300 million, but no lower, to the extent that AXA UK makes an acquisition of assets funded by the proceeds of a cash injection by way of a subscription for ordinary share capital. No reduction in this amount took place in the year ended 31 March 2023.

Changes to Parent Company Guarantee as a result of the 2021 Valuation agreement

The 2021 Valuation negotiations resulted in amendments to the Guarantees. Firstly, the term was extended to 30 March 2031 (from 30 March 2028) with AXA continuing to have the ability to extend the Guarantee by up to 3 years at each of the 2024 and 2027 valuations, but only where a triennial valuation shows funding is behind plan. The Guarantees can be terminated early in the event that the Valuation shows that the Scheme has a surplus over £125m as measured on the "2021 Basis" (the Guarantees previously terminated if there was no deficit), or the Trustee fails to follow investment parameters (and does not remedy this within 6 months). The Guarantee continues to cover mutually agreed contributions and s75 debts, the cap starts at £1.2bn and may reduce over time (under a downwards only mechanism), in line with expected reduction in deficit level (so that cap may potentially reduce, but not below £495m whilst the guarantee is in force).

Trustee's Report

Scottish Limited Partnership

On 30 March 2015, the Trustee acquired an interest in a Scottish Limited Partnership ("SLP"), the other interests being held by AXA SA, (the ultimate parent company), and AXA UK plc ("AXA UK"). The purpose of this transaction is to reduce AXA UK's funding deficit in respect of the Scheme and at the same time provide the Trustee with a regular income over a 20-year time frame. The participants in the SLP are AXA Scotland, as general partner, with the Scheme and AXA UK being limited partners.

The Scheme's acquisition of its interest in the SLP was funded by a monetary contribution of £310 million made by AXA UK plc to the Scheme. The SLP has been capitalised by AXA UK by the assignment of a 20-year loan of £350 million from AXA UK to AXA SA to the SLP as its sole asset. The Scheme receives a series of contractually determined cash flows over the period of the loan agreement payable on 31 March annually. Effectively, the SLP is the lender to AXA SA and the Scheme is the sole recipient of any economic interest.

There are no funding triggers in the structure and the intention is for the Trustee's interest in the SLP to cease following the maturity of the loan in 2035.

The Scheme's interest in the SLP is accounted for as an asset of the Scheme at the year end and is valued at least annually by Willis Towers Watson, the firm appointed by the Trustee for this purpose, and is disclosed in note 21 to the Financial Statements.

Longevity Swap Transactions

At the beginning of July 2015, the Trustee entered into insurance and re-insurance arrangements to provide long term protection to the Scheme against the cost that pension members live longer than currently projected. These arrangements cover the benefits of broadly 11,000 existing pensioners in the DB section of the Scheme. At 31 March 2023, they represented the Scheme's exposure to improvements in longevity covering some £1.4 billion of the Scheme's total liabilities.

In December 2019 the Trustee entered into a further insurance and re-insurance arrangement to provide long term protection to the Scheme against the cost that pension members live longer than currently projected. This arrangement covered the benefits of an additional 2,100 pensioners who retired between 1 January 2015 and 31 March 2019. At 31 March 2023, they represented the Scheme's exposure to improvements in longevity covering broadly £364 million of the Scheme's total liabilities.

In February 2021 the Trustee completed a further insurance and re-insurance arrangement. It covers pensions that may come into payment after 31 March 2019 and a significant proportion of the Scheme's deferred pensioner members and, at 31 March 2023, this was broadly £391 million of pension liabilities.

In aggregate, over 95% of the pension scheme's liabilities are now protected against the chance of members living longer than anticipated.

All pensioners were informed in writing of these arrangements and it was confirmed that their benefits would not be changed as a result and that they would continue to receive their pensions from the Scheme each month as normal.

Closure of DB Section

On 31 August 2013, AXA UK closed the DB section of the Scheme to future accrual.

Trustee's Report

Pensions in Payment

The Principal Employer, in conjunction with the Trustee, reviewed pensions in payment for Scheme pensioners with effect from 1 January 2022. This is with the exception of pensioners in the Winterthur Section who have their pension increase applied from 1 October annually. Factors taken into account were the rate of inflation, statutory requirements, past practices, the cost of reviews in the recent past and the funding position of the Scheme.

The majority of pensioners have annual increases based on the rise in the Retail Prices Index (RPI) over the year to the previous September up to a maximum of 5% per annum on pensions above any Guaranteed Minimum Pension (GMP) for service before 1 April 2007. For service after 1 April 2007 the maximum is 2.5% per annum. The change in the RPI to September 2022 was 12.6% (September 2021: 4.9%). Pensioners in the Winterthur Section have annual increases based on the RPI over the year to the previous June on pensions above any Guaranteed Minimum Pension (GMP) for the service before January 2010. For service after 1 January 2010 the maximum is 2.5% per annum. The change in RPI to June 2022 was 11.8% (June 2021: 3.9%).

No discretionary increases were awarded during the year.

Closure of DC Section

On 30 September 2020, following a formal consultation process with Members, AXA UK closed the DC section of the Scheme to future accrual. Members of the Scheme were transferred to a Master Trust arrangement called LifeSight. In December 2020 a bulk transfer of members' funds, from Aegon to LifeSight was completed. This transfer excluded the investments held in the Property Fund as this fund was suspended. In September 2021 the Property Fund remained suspended and due to the considerable amount of time and the resulting constraints on members' abilities to transfer these out or take their retirement benefits the Trustee agreed a solution with Aegon and LifeSight. The solution allowed for the value of assets invested in the AXA Property Fund to be transferred into LifeSight and invested in the LifeSight Global Property Fund.

In October 2021 members were notified that where their account had units in the AXA Property Fund, Aegon would inform the Trustee of the value on a specified date (the Valuation Date) of these units. These units would then be removed from the member's account. An amount equal to the value of the units held in the AXA Property Fund on the Valuation Date would then be transferred to LifeSight. This would be invested in the LifeSight Global Property Fund. This transfer completed in December 2021.

Scheme Website

The Scheme's website (www.axa-employeebenefits.co.uk) provides members with information in relation to the Scheme. Deferred and Pensioner Members of the DB section can access information on their pension through the Hartlink Online Portal "HOP". Confidentiality for members is protected by the use of individual registration and password details.

Task Force on Climate-related Financial Disclosures (TCFD)

In October 2022, the Trustee published its first TCFD report. An updated version has been published in October 2023, which covers the period 1st April 2022 to 31 March 2023. A copy of the updated report, and also a "member friendly" version can be viewed and downloaded on the AXA Pension website (https://pensions.axa-employeebenefits.co.uk/library) under Library and Important Documents.

Trustee's Report

Liquidity Facility Support

In order to provide temporary support if required through the period of market uncertainty during the year, the Trustee in its capacity as trustee of the AXA UK Group Pension Scheme (as borrower) and AXA UK PLC (as lender) entered into a temporary liquidity facility with effect from 30 September 2022. This allowed the Trustee to access up to GBP 300m at very short notice, in the form of one or more loans (on which an appropriate level of interest would be payable). As is common, commercial rates of interest and fees applied to this temporary liquidity facility, which provides for loans to be repaid within 3 months of the drawdown date.

There is currently no outstanding balance on this liquidity facility.

In addition, it was agreed to enter in a loan with AXA Insurance UK plc of £100m (2 years maturity with 1 year extension in option). The loan is due to be repaid by 30% of any redemptions from the Alternative Credit Fund (ACF). The cash was received from AXA Insurance UK plc on 28 February 2023. To date, £23,258,709 has been repaid.

Actuarial Position of the Scheme

An actuarial valuation of the Scheme was carried out with an effective date of 31 March 2021.

Results of the 31 March 2021 actuarial valuation

The actuarial valuation has two main purposes. It looks at:

- whether there is enough money in the Scheme to pay benefits that members have earned to date (the 'funding position'); and
- how much money is needed to pay for benefits which come into payment in the future

The results of the latest formal actuarial valuation show that as at 31 March 2021, the assets of the Scheme (which included the value of the asset backed structure supporting the Scheme) could be expected to cover around 88% of the liabilities. This represented a shortfall of assets of around £744 million.

The main factors contributing to the increase in shortfall compared to the 2020 funding update were:

- Lower expected returns from the return-seeking assets supporting the Scheme; and
- The cost to the Scheme of undertaking significant de-risking activity in 2021 to better secure the Scheme

The reduction in the long-term return expected from the Scheme's assets is mainly due to a fall in the expected return from corporate bonds which was materially higher at 31 March 2020 largely due to the impact of the pandemic on markets at that time.

In early 2021, a further longevity hedge was put in place with a reinsurer which has resulted in a significant reduction to the risk to the Scheme of members living longer than expected. The premium paid for this hedge has also resulted in an increase to the Scheme's deficit.

As part of the 2021 valuation, the Trustee and AXA have agreed a recovery plan to eliminate the shortfall in the Scheme assets. Under this recovery plan:

- AXA have made a payment of £98 million into the Scheme in December 2021 which was a year earlier than set out in the previous agreement
- Future contributions will also be due a year earlier with £81 million per year due in 2022 and 2023, and £62 million per year due from 2024 to 2030. These contributions may be reduced if the Scheme's improvement in funding position is quicker than expected.

- AXA has also agreed to pay additional contributions if the improvement in the Scheme's funding position is slower than expected.
- In certain situations, some of the deficit contributions may be directed towards an additional security arrangement rather than invested directly in the Scheme.
- Contributions of up to £17m per year in respect of the asset-backed structure supporting the Scheme will continue throughout.

In the normal course of events, these contribution rates will next be reviewed as part of the 31 March 2024 full actuarial valuation.

These contributions together with future investment returns are expected to ensure the Scheme is fully funded by 31 March 2031.

In addition to the above deficit payments, AXA provides funding guarantees from AXA UK plc and AXA SA to the Scheme. These guarantees provide additional security to support the recovery plan if the Scheme's sponsoring employers are not able to make the contributions due, subject to certain limits. As part of the 2021 valuation AXA agreed to extend these funding guarantees to 31 March 2031.

Funding strategy

A key focus of the Trustee and its advisers in respect of the 31 March 2021 valuation was securing a material improvement in the long-term security of members' benefits.

Whilst significant progress had been made in improving the funding position of the Scheme and de-risking the Scheme's investment strategy over recent years, the "employer covenant" (i.e. the financial support provided by the relevant AXA companies to the Scheme) had some limiting features. For example:

1. The main UK trading business, AXA Insurance UK plc, is not a sponsoring employer of the Scheme;
2. The Scheme's sponsoring employers have very limited trade in their own right. Scheme deficit contribution affordability is therefore effectively reliant on AXA UK plc receiving dividends from its trading subsidiaries; and
3. Whilst the Scheme currently benefits from guarantees from AXA UK plc and AXA SA, these were due to fall away by June 2031 at the latest.

In addition, in common with most pension schemes, the Scheme's funding objective was based on a "Technical Provisions" basis. The Technical Provisions funding basis is fully compliant with current regulatory guidance and contains elements of prudence. However, achieving full funding on the Technical Provisions basis would not result in there being no risk to members' benefits. The Principal Employer agreeing to a stronger/more prudent funding basis would therefore improve the security of members' benefits in the future.

As detailed above, supported by the Scheme's professional advisers and following extensive negotiations, the Trustee have agreed a revised support package in respect of the 31 March 2021 valuation.

A new Schedule of Contributions was agreed following completion of the 31 March 2021 actuarial valuation and was certified by the Actuary on 24 February 2022.

Further information on the actuarial valuation is available in the Report on Actuarial Liabilities on pages 31 and 32.

Going Concern

The Trustee has taken external advice in relation to the employer covenant. It is not aware of any intention to wind up the Scheme either through a buy-out event or through scheme merger consolidation. It has no concerns about the ability of the employer to continue to support the Scheme. It considers that it is appropriate to prepare the financial statements on a going concern basis.

Trustee's Report

Membership

The membership movements of the Scheme for the year are given below:

Defined Benefit Section

	Deferred members	Pensioners	Total
At 31 March 2022	14,216	13,070	27,286
Retirements	(715)	715	-
Deaths	(20)	(491)	(511)
Transfers out	(29)	-	(29)
Spouses and dependants	-	161	161
Ill-Health (DC Section)	(5)	3	(2)
Suspended pensioners	-	(72)	(72)
Pensions commuted for cash	(17)	-	(17)
Pensions ceased	-	(11)	(11)
At 31 March 2023	**13,430**	**13,375**	**26,805**

Defined Contribution Section

	Deferred Members	Pensioners	Total
At 31 March 2022	2	-	2
Transfers out	(1)	-	(1)
DC benefits converted to DB	(1)	-	(1)
At 31 March 2023	**-**	**-**	**-**

Members with DC investments, including Additional Voluntary Contributions (AVCs), have the option of having an annuity purchased in their name outside the Scheme by their funds on reaching retirement using the services of Hargreaves Lansdown or transferring to an income drawdown policy with an external provider. Members also have the Uncrystallised Funds Pension Lump Sum option (UFPLS).

On 30 March 2023 the final deferred member in the Defined Contribution Section transferred out of the Scheme.

Guaranteed Minimum Pension

On 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group’s defined pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and woman in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit schemes. The High Court has since determined that trustees owed a duty to a transferring member to make a transfer payment which reflected the member’s right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member. On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is considering the impact on the Scheme but is not currently in a position to obtain a reliable estimate of the backdated benefits and related interest and will recognise in the Scheme accounts when it is in a position to do so.

Draft General Code of Practice

The Pensions Regulator (TPR) has for some years planned to consolidate its regulatory material and a key project has been the creation of a new General Code of Practice. This new Code would bring together initially 10 of the 15 existing Codes of Practice, plus various pieces of existing guidance. It would also introduce new material required because of the 2018 Occupational Pension Schemes (Governance) Regulations. To that effect TPR released a consultation document on 17 March 2021 containing the full draft text of the new General Code. The consultation closed in May 2021, but with significant industry feedback on its contents.

TPR undertook to carry out a full review of the responses received and issued an ‘interim response’ to the consultation in August 2021. This recognised that some changes to its proposals were required and that it is also looking at suggestions about its draft text to avoid confusion. It added that “*A longer period of review and analysis will allow us to develop our policy positions further*”.

At the end of 2022 there were indications that progress in the review had moved to the point where TPR would soon be able to obtain the Minister’s agreement to lay the draft final Code before Parliament for approval. This may happen soon but had not happened at the time of writing; it is expected during 2023. Any Code would only come into force once the period of parliamentary approval has passed (40 days since laying but increased for any period when Parliament is in recess).

The Trustee continues to work with their advisers to ensure that current governance practices are appropriate and assess if further steps will be needed to meet TPR’s new expectations. However, this can only be known confidently once the text of the new code is published. In the intervening period a qualified reference is made to the draft Code’s provisions.

Judicial review of RPI reform

On the 25 November 2020, HM Treasury and UK Statistics Authority (the UKSA) announced the UKSA’s decision to effectively replace the Retail Price Index (RPI) with the Consumer Price Index (CPIH). Following input from HM Treasury, this is proposed to take effect from 2030.

The announcement was in response to a consultation which asked for views on potential changes to the RPI methodology and when any such changes should be introduced. The response also confirmed that the government would not be offering any compensation to the holders of new style index-linked gilts (those issued from 2002).

This reform will reduce the pension increases applicable to some tranches of pension for some members in the scheme with effect from 2030.

Trustee's Report

Capita Cyber Incident

Capita Pensions Solutions Limited ("Capita") is the administrator of the AXA UK Group Pension Scheme. The Trustee was told by Capita on 3 April 2023 that Capita had experienced a cyber incident. On 17 May 2023 the Trustee was told by Capita that the incident "arose following initial unauthorised access to Capita's systems on or around 22 March 2023, before being interrupted by Capita on 31 March 2023". The Trustee was also notified on 17 May 2023 that personal data relating to current and certain former pensioner/dependent members, which Capita processes on behalf of the Trustee, was part of the data at risk of being exfiltrated as a result of the cyber incident. The Trustee has taken, and continues to take, action to comply with its applicable legal obligations, including informing relevant regulators, communicating with all affected members and working with Capita and professional support to investigate and review the incident.

Trustee's Summary of Contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 March 2023

During the year ended 31 March 2023, the contributions payable to the Scheme by the Employers were as follows:

	2023 Defined Benefit Section £000	**2023 Total £000**
Contributions payable under the Schedule of Contributions:		
Contributions from employer:		
Other – administration expenses	**2,341**	**2,341**
Total contributions reported in the fund account	**2,341**	**2,341**

The April 2022, May 2022 and June 2022 administration expenses were paid 85, 54 and 24 days after the due date as set out in the Schedule of Contributions respectively.

Investment Matters

This section has been prepared by the Trustee, assisted by its investment consultant, using information that has been supplied primarily by its global custodian, performance measurer and investment managers.

Investment Policy

The assets of the Scheme are invested in accordance with the Statement of Investment Principles ("SIP") adopted by the Trustee.

Investment Review

The Trustee's investment strategy considers the Scheme's investments in the following groupings:

- **Return-seeking assets**: Where the objective is to achieve growth within the constraints of the risk profile set by the Trustees.
- **Liability-driven assets**: Predominantly bonds, LDI funds and swaps, where the objective is to secure fixed or inflation-adjusted cash flows in future, and where the investments are generally expected to be held to maturity.

Management and Custody of Investments

The investments are managed within the restrictions set out in the investment management agreements and prospectus which are designed to ensure that the objectives and policies set out in the SIP are followed.

The mandates put in place by the Trustee specify how rights attaching to the Scheme's segregated investments are acted upon. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but reviews the managers' policies and statements of compliance in respect of these matters.

The Trustee has appointed JP Morgan to keep custody of the Scheme's investments, other than pooled investment vehicles and derivatives, where the manager makes its own arrangements for custody of underlying investments.

Environmental, Social and Governance Issues (ESG)

Environmental, Social and Governance Considerations

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee may consider non-financial factors (such as ethical or moral beliefs) in their investment decision-making, but only to the extent that these do not have a negative financial impact.

The Trustee believes that ESG factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

Stewardship

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme’s investment managers.

The Trustee’s investment advisors assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments.

When appointing a new investment manager, the Trustee’s investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

The terms of the long-term relationship between Trustee and its managers are set out in separate Investment Management Agreements (“IMAs”). These document the Trustee’s expectations of its managers, alongside the Investment Guidelines they are required to operate under.

The Investment Guidelines are based on the policies set out in the SIP. The SIP is shared with the Scheme’s investment managers on an annual basis, and the Investment Guidelines are updated following any changes, ensuring the managers always invest in line with the Trustee’s policies.

When relevant, the Trustee requires its investment managers to invest with a medium-to long-term horizon, and use any rights associated with the investment to drive better long-term outcomes.

For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee’s strategic asset allocation.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees periodically to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider long-term ESG factors.

The Trustee would not expect to terminate a manager’s appointment based purely on short-term performance. However, a manager’s appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers periodically, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

The Trustee has produced an annual implementation statement, which is attached to this document.

Investment Performance

The Trustee assesses the performance of the Scheme’s investments in the following groupings consistent with the overall strategy:

- Return-seeking assets are assessed by reference to benchmarks and performance targets set and agreed with each manager.
- Liability-driven assets are compared with benchmarks, but the Trustee’s main concern is security of cash flows and therefore growth in these assets (which is normally linked to growth in Scheme liabilities, or vice versa) is less relevant.

Trustee's Report

Performance of the Scheme's investments over short and longer periods is summarised as follows (as at 31 March 2023):

Defined Benefit Section

	Current Holdings (£m)	12 Month Return (%)	3 Year Return (% pa)	5 Year Return (% pa)
LDI and Overlay Strategies				
BlackRock LDI Assets	1,195	-97.5	-99.1	-98.8
Rebalancing Account*	42	-	-	-
Liquid and Semi-Liquid Strategies				
AXA IM Buy & Maintain	549	-11.3	N/A	N/A
AXA IM Global Securitised	10	-0.3	0.9	0.6
AXA IM CRE Debt	78	1.2	1.0	1.1
AXA IM Infrastructure Debt	144	1.7	2.4	N/A
Wellington Global Securitised	2	-5.3	-0.5	N/A
AB Credit	406	-21.8	N/A	N/A
AB Transitional loans	64	4.2	N/A	N/A
AXA IM Global Secured Assets	148	8.7	N/A	N/A
Illiquid Credit Strategies				
AXA IM Alternative Credit Fund	752	7.1	6.4	3.2
M&G Social Housing	28	1.3	-5.7	-1.0
AXA IM Long Lease	317	-15.0	2.6	3.1
Illiquid Market Strategies				
Ardian Funds	3	-3.4	N/A	N/A
AXA IM Property	47	-8.2	-4.3	N/A

* Includes Trustee bank balance.

During the latter part of the year there was significant volatility affecting pension schemes caused by a number of issues and primarily impacting the valuation of UK government debt (gilts) which form part of pension scheme's investments for a number of reasons. In order to hedge the targeted level of interest rate and inflation exposure for the Scheme, positions are taken that require collateral to be maintained to back those positions. With the increased volatility in 2022 this required additional collateral to ensure that the positions were maintained. The Trustee moved significant amounts of assets from other strategies to the LDI strategy and also reduced the hedge ratio.

The LDI assets aim to match liability movements in interest rates and inflation rates. Recent increases in interest rates and inflation rates have resulted in a significant reduction in the liabilities, and therefore the LDI assets have similarly reduced. These assets reduce risk in the scheme, rather than aiming to provide any investment return.

Trustee's Report

Stock Lending

The Scheme does not engage in stock lending.

Investment Strategy

The investment objective of the Defined Benefit Section (DB Section) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP"), a copy of which is available upon request.

The Scheme's Asset Allocation as of 31 March 2023 and 31 March 2022:

Asset Class	31-Mar-23(£m)	31-Mar-22 (£m)
LDI and Overlay Strategies	**1,237**	1,587
BlackRock LDI Assets	1,195	1,260
Rebalancing Account*	42	327
Liquid Market Strategies	-	326
Synthetic Equity**	-	326
Liquid and Semi-Liquid Strategies	**1,401**	2,421
AXA IM Buy & Maintain	549	534
AXA IM European Loan Fund	-	148
AXA IM Global Securitised	10	161
AXA IM CRE Debt	78	71
AXA IM Infrastructure Debt	144	98
Wellington Global Securitised	2	155
Schroders US Credit	-	233
AB Credit	406	618
AB Transitional loans	64	63
M&G Alpha Opportunities	-	190
AXA IM Global Secured Assets	148	150
Illiquid Credit Strategies	**1,097**	1,288
AXA IM Alternative Credit Fund	752	876
M&G Social Housing	28	40
AXA IM Long Lease	317	372
Illiquid Market Strategies	**50**	64
Ardian Mezzanine Debt	1	4
Ardian Private Equity	2	1
AXA IM Property	47	59
Total	**3,785**	5,686

* Includes Trustee bank balance.

** The Synthetic Equity value shown above is the notional exposure of the Scheme's equity allocation. The market value is c.£6m.

Please note: AVCs, insurance policies, longevity swaps and AXA SLP are not included.

Trustee's Report

Many of the Scheme's investments are used in the matching of liability cashflows and the hedging of interest rate and inflation rate risk. As such these portfolios do not have a meaningful index benchmark to measure their performance against. However, these assets have performance broadly in-line with the liability cashflows they aim to hedge. Portfolios used in liability hedging are:

- BlackRock LDI Assets
- AXA IM Buy & Maintain
- AXA IM CRE Debt
- AXA IM Infrastructure Debt
- Schroders US Credit
- AB Credit
- AB Transitional Loans
- M&G Social Housing
- AXA IM Long Lease

The portfolios below do not have specified benchmarks, but we do not have any concerns over their recent performance:

- Rebalancing Account
- Synthetic Equity
- AXA IM European Loan Fund
- AXA IM Alternative Credit Fund
- Ardian Funds
- AXA IM Property

The AXA IM Global Securitised, Wellington Global Securitised, M&G Alpha Opportunities, Schroders US Credit and AXA IM European Loan Fund were meeting performance expectations when they sold down to meet liquidity requirements. AXA IM Global Secured Assets is performing in line with its benchmark.

Investment Risk

Information on investment risk is included in note 25 of the financial statements on pages 57 to 61.

Implementation Statement

Introduction

This SIP Implementation Statement (“the Statement”) has been prepared by the AXA UK Group Pension Trustees Limited (“the Trustee”) in relation to the AXA UK Group Pension Scheme (“the Scheme”).

This Statement has been produced by the Trustee as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). The regulations state that the Statement must (amongst other matters):

- set out how, and the extent to which, in the opinion of the Trustee, the Statement of Investment Principles (“SIP”) has been followed during the year;
- describe any review of, and explain any changes made to, the SIP during the year; and
- describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Based on regulatory requirements, the Statement will cover the period from 1 April 2022 to the end of the Scheme’s financial year on 31 March 2023.

The Statement is split into three sections:

1. an overview of the Trustee’s actions and highlights during the period covered;
2. the policies set out in the SIP for both the DB and DC sections and the extent to which they have been followed in the reporting period; and
3. the voting behaviour and significant votes undertaken by the fund managers on behalf of the Scheme.

SIP Updates

The DB and DC SIP that is most relevant for this reporting period is the document last updated in August 2021 to reflect the Trustee’s updated Responsible Investment policy. From 1 October 2022, further DWP guidance on the reporting of stewardship activities through Implementation Statements came into effect. In light of this updated guidance, the SIP was reviewed and updated shortly after the Scheme year-end (in May 2023) to include the Trustee’s chosen Stewardship theme and updated stewardship position. Next year’s Statement will reflect this updated document.

Overview of Trustee’s Actions - DB

Investment Objectives and Strategy

During the reporting period there was no change to the Scheme’s overall full funding objectives.

There were a number of investment strategy changes over the year. These included:

- An increase in the target level of cash flow matching (to 72%), following a material improvement in the funding position of the scheme. The target was consistent with the funding and investment plan agreed as part of the 2021 valuation.

- Following the significant rises in gilt yields over the year, especially following the “mini budget” in September 2022, a number of changes were made to improve the Scheme’s collateral position. These included:
    - A number of sales in the non-cashflow matching portfolio. These included complete or near-complete redemptions of the following portfolios: AXA IM Global Securitised, AXA IM Leveraged Loans, Wellington Global Securitised and M&G Alpha Opportunities.
    - A complete sale of the Schroders cash flow matching portfolio.
    - The removal of the residual synthetic equity position.
    - A reduction in the interest rate and inflation hedge ratios. These were initially reduced to 80% (October 2022) but have since been increased to 85%.

The Trustee also considered and implemented various changes to improve the resilience of the portfolio to liquidity/collateral challenges. These included:

- Agreeing a contingent liquidity facility with the sponsor, which was temporarily drawn down in October 2022.
- Agreeing a corporate loan secured against some of the illiquid assets in the Scheme’s portfolio.
- Moving some of the hedging of overseas currency and interest rate exposures to the corporate bond mandates.

The Trustee also reviewed its collateral management policy in line with changing market practice and regulatory guidance.

Overall, the Scheme’s agreed strategic asset allocation continues to reflect the Trustee's view of the most appropriate investments, balancing risk/reward characteristics of the funds the Scheme is invested in, to support the Scheme’s full funding objective.

Trustee’s policies for investment managers

The Trustee relies on investment managers for the day-to-day management of the Scheme’s assets but retains control over the Scheme’s investment strategy.

The Investment Managers are responsible for the day-to-day management of the Scheme’s assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements (“IMAs”) or pooled fund prospectuses. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the in-house team regularly regarding their performance, which in turn reports back to the Trustee. Each of the investment managers’ fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

Final Remarks

As demonstrated in the following sections of this Statement, the actions the Trustee has undertaken during the relevant reporting period reflect the policies within the Scheme’s SIP. Any changes to the investment strategy agreed during the period but implemented after the period had ended will be reported against in the next Implementation Statement.

The responsibility for managing the Scheme's holdings is delegated to its fund managers. The Trustee believes that the Scheme's fund managers are well placed to engage with invested companies on environmental, social and governance ("ESG") matters, given their knowledge of the company and the level of access they have to company management. This is also a pragmatic approach because of the number of positions owned by the Scheme, and the amount of time corporate entities have available for single investors. However, the Scheme sets out its expectations to its asset managers in terms of Corporate Governance via its Statement of Investment Principles.

The Trustee believes that it should act as a responsible steward of the assets in which the Scheme invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability.

Over 2023, the Trustee plans to consider how best to meet the DWP's new expectations on stewardship and move to take more ownership of stewardship, as the new guidance expects. Changes to the Trustee's approach will be taken with regard to the Scheme's governance constraints and in the best interest of the Scheme's members. In particular, the Trustee is considering its own stewardship priorities and has refined its SIP accordingly. The Trustee engages with its managers to ensure that they are in turn engaging with the underlying investee companies on these priorities.

Review of DB SIP Policies

The Trustee last reviewed the Scheme's DB Statement of Investment Principles in August 2021.

Overall, the Trustee is satisfied that:

- The Scheme's DB investments have been managed in accordance with the DB SIP; and
- The provisions in the DB SIP remain suitable for the Scheme's DB members.

The table on the following pages sets out the policies within the DB section of the SIP and the evidence that these were followed.

Policy	Has the policy been followed?	Evidence
Funding Objectives		
The ultimate aim of the Trustee is to ensure that the Scheme is able to meet pension payments in full as they fall due, meet expenses of the fund and minimise the risk of any potential shortfall. In other words, that the Scheme is self-sufficient. The discount rate used to target the Scheme's ultimate self-sufficiency basis is consistent with that of the Technical Provisions liabilities. This is recalculated annually. As at 31 March 2023 this equated to an overall discount rate of Gilts + 0.86% p.a. The Trustee target a full funded Scheme by 2031	Yes, the Trustee is satisfied that this policy has been followed.	The position of the Scheme against its self-sufficiency objective is reviewed on a quarterly basis by the Trustee, with clear written advice provided by either the in-house team or the Investment Consultant if either party deem the Scheme to be moving away from this target.

Policy	Has the policy been followed?	Evidence
Investment Strategy		
The investment strategy is set by the Trustee cognisant of the funding objectives, the actuarial valuation and the Principal Employer Covenant. The overall aim of the strategy is to allow the Scheme to achieve its investment objective without taking unacceptable risks to do so. The Trustee seeks to invest the majority of the portfolio in low risk cashflow generative assets to match as much of the liability cashflows as is affordable. As the Scheme becomes better funded they will look to increase the proportion of the portfolio in cashflow generative assets.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee works closely with its advisers to ensure that the investment strategy remains appropriate. As at March 2023, c.55% of the Scheme's hedging cashflows were matched with most of the matching being achieved for terms under 30 years. The Trustee continues to identify opportunities to increase the proportion of the portfolio in cashflow generative assets, with the cashflow matching proportion rising from 53% of total assets to 55% over the year. The Trustee has considered in detail its approach to collateral management. As part of this, it has increased its target level of collateral headroom, developed a collateral waterfall, implemented a liquidity facility with the Sponsor, agreed a loan with the Sponsor backed by some of the Scheme's illiquid assets, and moved a portion of hedging to its cashflow matching portfolios.
Risk Management		
The Trustee recognises and monitors a number of risks. In doing so the Trustee considers investment risk alongside other non-investment risk to ensure the overall risk of the Scheme is within the Trustee agreed tolerance.	Yes, the Trustee is satisfied that this policy has been followed.	The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitors and manages these risk factors through measures specific to each risk on a quarterly basis. It seeks guidance and written advice from its Investment Consultant as appropriate. Liquidity/collateral risk has been a key focus over the year.

Policy	Has the policy been followed?	Evidence
Balance between different kinds of investments & the expected return on investments		
The strategic asset allocation benchmark is designed to ensure that the Scheme’s investments are adequately diversified and that the strategic distribution across asset classes provides a reasonable level of confidence that the level of returns required to meet the Scheme’s liabilities is achieved with an acceptable level of risk. The Trustee considers the long-term mixture of assets in relation to the Scheme’s liabilities through an integrated asset/liability study. As a result of this analysis, the Trustee adopt an asset allocation specific to the requirements of the Scheme, taking into account expected returns, risk and liquidity on different asset classes. The investment strategy takes due account of the maturity profile (in terms of the relative proportions of liabilities in respect of pensioners and deferred members), together with the level of disclosed surplus or deficit (relative to the funding bases used). It is intended that investment strategy will be reviewed at least every three years, following actuarial valuations.	Yes, the Trustee is satisfied that this policy has been followed.	The strategic asset allocation benchmark has been reviewed by both the investment consultant and the AXA UK Pension Strategy Team (“PST”) on behalf of the Trustee over the course of the Scheme year. Particularly, the expected return and risk figures are closely monitored by the PST. The PST, with support from the investment consultant, is developing a decision-making framework to ensure that the impact on relevant strategic metrics (including risk and return) are monitored and considered as part of any investment strategy proposals. The investment advisers are available to provide written comment if it is deemed that the overall risk/return profile is not suitable to meet the Scheme’s objectives. The overall liquidity profile of the Scheme was also monitored throughout the Scheme year to ensure that the overall allocation to illiquid assets remained below 40% The cashflow matching strategy that is being implemented by the Scheme takes account of the maturity profile of the liabilities to ensure that it matches a portion of the liability cashflows as precisely as possible.

Policy	Has the policy been followed?	Evidence
Kind of investments to be held		
The assets of the Scheme may be invested in quoted and unquoted securities on UK and overseas markets, mostly including, but not restricted to, equities, fixed interest bonds, index-linked bonds, property, hedge funds and cash. Use may also be made of derivatives and other contracts for the purpose of efficient portfolio management or management of investment risk. The assets will not be invested directly in securities issued by the Employer or its ultimate parent AXA S.A., in securities issued by associate companies of the investment managers, or in companies which contravene the Ottawa Convention. The Trustee will also consider, from time to time, requests from the Employer not to hold, or not to increase, or to sell certain types of securities or asset strategies. Trustee decisions on such requests will recognise at all times that the Trustee's primary responsibility is to act in the best financial interests of the beneficiaries of the Scheme and that the Trustee must not engage in the day-to-day management of the assets.	Yes, the Trustee is satisfied that this policy has been followed.	The assets that the Scheme is invested into fall into the categories set out in the SIP. No assets issued directly by the sponsoring employer were held over the course of the Scheme year. There were no requests over the course of the year from the sponsoring employer on which assets not to hold.
Day-to-day asset management		
The Trustee delegates the day-to-day management of the assets of the Scheme to a number of investment managers. Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the investment adviser(s). As required under Section 36 of the Pensions Act 1995, the Scheme's investment adviser supporting the Trustee on a manager selection will provide written advice on new manager appointments in respect of the "satisfactory" nature of the investments.	Yes, the Trustee is satisfied that this policy has been followed.	Manager selection follows a rigorous due diligence process supported by the Scheme's investment advisor (Redington), the Scheme's ad-hoc manager selection consultant (Mercer), the Scheme's legal advisor (Travers Smith), and the company. This process is recorded and documented, and with Section 36 letters being obtained for all managers selected to provide services to the Scheme. Where specialist knowledge is required, the Scheme engages dedicated consultants to support the due diligence and selection process. The Trustee, through its quarterly Investment Committees, monitors the Scheme's asset managers' performance against any appropriate benchmarks and to ensure that the portfolios are being managed consistently with regards to the Scheme's strategic objectives.

Policy	Has the policy been followed?	Evidence
Considered risks		
The risks, as stated in the SIP are assessed and monitored regularly.	Yes, the Trustee is satisfied that this policy has been followed.	The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitors and manages these risk factors through measures specific to each risk on a quarterly basis. It seeks guidance and written advice from its Investment Consultant as appropriate. Liquidity/collateral risk has been a key focus over the year.
Responsible Investing Policy		
The Trustee considers it has a responsibility towards its members including the impact the Scheme's asset portfolio has on our society at large. In pursuing an RI policy, the Trustee references the overriding objective of attaining full funding for the Scheme. It therefore considers the policy in the context of required return and risk budget while framing changes in the context of the length of time the Trustee considers it necessary to reach this target. It is in this context that the Trustee has mandated the development of a global approach to responsible investment issues which takes into account inclusion of ESG issues in investment processes, from a performance and risk management perspective; and also controversial sectors.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee reviews the ESG characteristics of the Scheme's portfolio at the quarterly investment committees, this includes ESG ratings on a global and portfolio-by-portfolio level, the warming potential of the asset holdings and associated carbon footprint. The Trustee benchmarks the Scheme against the indices on key social and governance objectives. Any breaches of sector exclusions e.g. coal, tobacco are also noted within the quarterly reports.

Policy	Has the policy been followed?	Evidence
Responsible investment strategy		
Pension Scheme's Responsible Investment Strategy is based on the main following pillars: ESG integration and stewardship, Carbon Footprint & Climate-related portfolio alignment, Green investment target, transition financing and impact investments and the final pillar: Controversies – engagement and exclusion. Based on these pillars and to demonstrate commitment to a Responsible Investment approach the Trustee has agreed to the following targets under which it will regularly monitor the Scheme's asset portfolio and adjust either the Scheme's strategy or implementation to meet these targets, but only to the extent that these do not have a negative financial impact: • Maintain and incrementally approve the integrated ESG score • Target net zero emissions by 2050. • Actively exclude investments that are considered controversial as defined by the Scheme's policy • Target a green investment exposure to exceed 1% by 2025 through a multi-class asset approach Target 1.5 degree C climate warming potential by 2050	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee monitors each of these objectives as part of its quarterly investment committee. The Scheme's ESG score has improved over the year and the carbon footprint remains on target. There remained a limited exposure to excluded asset classes which the investment manager seeks to remove when opportunities arise so as not to negatively impact the Scheme's funding position. The Scheme also continues to move towards a greener portfolio and reduce its warming potential.
Target and risk monitoring		
The Trustee monitors the Scheme's assets against its approach to ESG on an ongoing basis with the assistance of its advisors. In addition, the Trustee regularly reports identified climate-risks and opportunities which it considers will influence the Scheme's investment strategy (and member security) and assess their impact. As far as it is able, the Trustee, undertakes scenario analysis assessing the impact on the Scheme's assets and liabilities, the resilience of the Scheme's investment strategy, the Scheme's funding strategy, and impact on the above agreed targets.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee monitors the ESG characteristics of the Scheme's asset holdings on a quarterly basis. As part of the TCFD requirements the Trustee undertakes climate scenario testing which demonstrates the resilience of the portfolio and the performance of the Scheme against its ESG objectives.

Policy	Has the policy been followed?	Evidence
Stewardship and engagement		
The Trustee recognises that good stewardship practices, including engagement and voting activities, are an important part of general Scheme governance as they help preserve and enhance asset owner value over the long term. Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social and governance considerations, and using voting rights to effect the best possible long-term outcomes. The Trustee assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. This review occurs on an annual basis and focuses on determining whether the investment managers have acted in line with this policy.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee exercises rigorous due diligence in the manager selection process and ensures that in selection the investment manager is situated to provide long term success to the Scheme within its mandate. The Trustee monitors the implementation and management activities of the Scheme's investment managers, as well as performance on a quarterly basis. Periodically the Trustee meets with the Scheme's investment managers, supported by the Scheme's advisors, to engage in detailed analysis of each mandate to ensure the managers' approach and activities continue to align to the long term best interests of the Scheme. This includes strategy reviews, performance reviews, ESG reviews, personnel updates, stewardship reviews. The Scheme does not hold any physical asset whereby the Trustee has a voting right. It is noted the Scheme's equity exposure (prior to its removal during the year) was obtained synthetically. Over 2023, the Trustee plans to consider how best to meet the DWP's new expectations on stewardship and move to take more ownership of stewardship, as the new guidance expects.

Final Remarks

Overall, the Trustee has demonstrated key actions for the Scheme during the relevant reporting period that show how it continues to make investment decisions in line with the policies set out in the SIP.

The reporting period for this Statement covers 1 April 2022 to 31 March 2023. Any actions undertaken by the Trustee after this date will be covered in the next Statement.

Compliance Matters

Employer-related Investments

During the year the Scheme invested in private equity funds managed by Ardian Investments UK Limited. The Pensions Regulator has confirmed the view of the Trustee’s legal advisers that only the Mezzanine Debt in these funds constitutes an employer related investment. These investments are monitored and at no time during the year ended 31 March 2022 did they exceed the statutory limit of 5% of the total Scheme assets. As at 31 March 2023 these funds were valued at £1.2m (2022: £1.2m)

The Trustee has taken legal advice and the Scheme’s interest in the SLP does not constitute an employer related investment (see note 21 of the financial statements for more detail).

Related Party Transactions

The Principal Employer has paid the majority of the costs of administering the Scheme for the year and has invoiced the Scheme during the year.

Further details of related party transactions are given in note 28 to the financial statements.

Taxation

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

Calculation of Transfer Values

Transfers values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pensions Schemes Act 1993. None of the transfer values paid was less than the amount provided by the Regulations.

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

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

Telephone: 0345 600 7060
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

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

Telephone: 0800 731 0193

Trustee's Report

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit 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 PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

MoneyHelper

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

Website: www.moneyhelper.org.uk

Email: pensions.enquiries@moneyhelper.org.uk

Tel: 0800 011 3797

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Mr J Manuel, Head of Pensions Administration and Trustee Services, at the address on page 3, who will try to resolve the problem as quickly as possible.

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

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

Telephone: 0800 917 4487

The Pensions Ombudsman can be contacted online via the web site at: www.pensions-ombudsman.org.uk or you can email your enquiry to: enquiries@pensions-ombudsman.org.uk. For early resolution email: helpline@pensions-ombudsman.org.uk.

Statement of Trustee’s 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 Trustee. Pension scheme regulations require the Trustee 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 Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is 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 it intends either to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a trustee’s annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

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

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

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, occupational pension schemes with defined benefit liabilities are subject to the "Statutory Funding Objective", which is to have sufficient and appropriate assets to cover their technical provisions. The technical provisions represent the present value of the benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to members upon request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2021. This showed that on that date:

The value of the Technical Provisions was:	£6,282 million
The value of the assets at that date was:	£5,538 million

The value of the assets excludes Defined Contribution assets and money purchase AVCs, both of which have also been excluded from the value of the technical provisions.

The method and significant actuarial assumptions used to determine the technical provisions, as set out in the Statement of Funding Principles, are detailed below.

Method

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

Significant Actuarial Assumptions

	% per annum
Discount rate	Gilt yield curve plus 0.84% pa, Single equivalent rate 2.11% pa
Price inflation (RPI)	Swap market implied inflation curve, single equivalent rate 3.46 pa
Price inflation (CPI)	RPI less 1% up to 2030 and 0% thereafter, Single equivalent rate 3.00% pa
Pension increases in payment:	
RPI with a cap of 5%	3.22*
RPI with a cap of 2.5%	2.11*
RPI with a cap of 5% and a floor of 3%	3.86*
CPI with a cap of 3%	2.59*
Deferred pension revaluation:	
CPI with a cap of 5% pa over the period to retirement	CPI curve
CPI with a cap of 2.5% pa over the period to retirement	CPI curve
GMP equalisation reserve	0.3% of Scheme liabilities

* Single equivalent rates, actual assumption is a curve based on relevant inflation curve with an adjustment made for the caps and floors that apply to the pension increase

Trustee's Report

Report on Actuarial Liabilities

Mortality

Deferred pensioners

SAPS (S3) mortality table (with a 90% multiplier for males and a 92% multiplier for females), for each individual member's year of birth, with CMI Core Projection Model 2020 improvements commencing in 2013, subject to a 1.5% p.a. long term trend rate, default smoothing parameter of 7.0, initial addition to mortality improvements of 0.50% and core value of the 2020 weighting parameter of 0%.

Pensioners

SAPS (S3) mortality table (with a 90% multiplier for males and an 88% multiplier for females), for each individual member's year of birth, with CMI Core Projection Model 2020 improvements commencing in 2013, subject to a 1.5% p.a. long term trend rate, default smoothing parameter of 7.0, initial addition to mortality improvements of 0.50% and core value of the 2020 weighting parameter of 0%.

Approval

The Trustee's Report on pages 4 to 32 was approved by the Trustee and signed on its behalf on

.... by:

.... Director .... Director

Actuary's Certification of the Schedule of Contributions

Adequacy of rates of contributions

1 I hereby certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions (February 2022) are such that the Statutory Funding Objective on 31 March 2021 could have been expected to be met by the end of the period specified in the Recovery Plan.

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 (February 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 wound up.

Signature .... DocuSigned by: 316DC8EB4E6049B... .... Date ...24 February 2022........

Tina Kripps
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson company
51 Lime Street
London
EC3M 7DQ

Authorised and regulated by the Financial Conduct Authority

Independent Auditor's Statement about Contributions to the Trustee of the AXA UK Group Pension Scheme

Qualified Statement about Contributions payable under the Schedule of Contributions

We have examined the summary of contributions to the AXA UK Group Pension Scheme (the "Scheme") for the Scheme year ended 31 March 2023 which is set out in page 13.

In our opinion, except for the effects of the departure from the Schedule of Contributions described in the Basis for Qualified Statement about Contributions paragraph, contributions for the Scheme year ended 31 March 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 Scheme Actuary on 24 February 2022.

Basis for Qualified Statement about Contributions

As explained on page 13, there were three instances where the monthly expense contributions were paid later that the due date as set out in the Schedule of Contributions.

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 Trustee and the auditor

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

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

Use of our statement

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

Crowe U.K. LLP

Statutory Auditor

London

Date:

Independent Auditor's Report to the Trustee of the AXA UK Group Pension Scheme

Opinion

We have audited the financial statements of AXA UK Group Pension Scheme (the "Scheme") for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Independent Auditor's Report to the Trustee of the AXA UK Group Pension Scheme

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

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

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Diversion of income due to the Scheme from the special purpose vehicle. This is addressed by testing that income received from the special purpose vehicles is in accordance with the agreement.

Independent Auditor's Report to the Trustee of the AXA UK Group Pension Scheme

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

Use of our report

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

Crowe U.K. LLP

Statutory Auditor

London

Date:

Fund Account

For the year ended 31 March 2023

	Note	Defined Benefit Section 2023 £000	Defined Contribution Section 2023 £000	Total 2023 £000	Total 2022 £000
Contributions and benefits					
Employer contributions		**2,341**	**-**	**2,341**	99,704
Total contributions	5	**2,341**	**-**	**2,341**	99,704
Transfers in	6	**305**	**-**	**305**	253
Other income	7	**2**	**-**	**2**	33
		2,648	**-**	**2,648**	99,990
Benefits paid or payable	8	**(180,944)**	**-**	**(180,944)**	(172,872)
Payments to and on account of leavers	9	**(8,770)**	**-**	**(8,770)**	(27,467)
Bulk transfers out	10	**-**	**-**	**-**	(823)
Administrative expenses	11	**(9,657)**	**-**	**(9,657)**	(9,326)
Other payments		**-**	**-**	**-**	(5)
		(199,371)	**-**	**(199,371)**	(210,493)
Net withdrawals from dealings with members		**(196,723)**	**-**	**(196,723)**	(110,503)
Returns on investments					
Interest payable	12	**(414)**	**-**	**(414)**	-
Investment income	13	**(86,626)**	**-**	**(86,626)**	290,122
Change in market value of investments	14	**(1,286,228)**	**(27)**	**(1,286,255)**	(151,997)
Investment management expenses	15	**(23,186)**	**-**	**(23,186)**	(21,197)
Net returns on investments		**(1,396,454)**	**(27)**	**(1,396,481)**	116,928
Net (decrease) / increase in the fund		**(1,593,177)**	**(27)**	**(1,593,204)**	6,425
Transfers between sections	33	**94**	**(94)**	**-**	-
Net assets at 1 April		**5,550,693**	**239**	**5,550,932**	5,544,507
Net assets at 31 March		**3,957,610**	**118**	**3,957,728**	5,550,932

The notes on pages 40 to 65 form an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 31 March 2023

	Note	Defined Benefit Section 2023 £000	Defined Contribution Section 2023 £000	Total 2023 £000	Total 2022 £000 (As re-stated)
Investment assets:	14				
Bonds		**1,695,560**	**-**	**1,695,560**	2,398,319
Property		**43,725**	**-**	**43,725**	53,640
Pooled investment vehicles	18	**1,860,415**	**68**	**1,860,483**	2,578,720
Derivatives	19	**154,909**	**-**	**154,909**	251,106
Special purpose vehicle	21	**216,000**	**-**	**216,000**	258,000
AVC investments	23	**2,623**	**-**	**2,623**	3,312
Insurance policies		**-**	**50**	**50**	128
Longevity swaps	20	**-**	**-**	**-**	743
Equities	34	**325**	**-**	**325**	-
Cash		**764,038**	**-**	**764,038**	983,612
Other investment balances		**28,609**	**-**	**28,609**	15,207
		4,766,204	**118**	**4,766,322**	6,542,787
Investment liabilities:	14				
Longevity swaps	20	**(83,395)**	**-**	**(83,395)**	(46,634)
Derivatives	19	**(637,049)**	**-**	**(637,049)**	(464,853)
Repurchase agreements	22	**(528)**	**-**	**(528)**	(495,265)
Other investment balances		**(8,192)**	**-**	**(8,192)**	(2,604)
		(729,164)	**-**	**(729,164)**	(1,009,356)
Total net investments	14	**4,037,040**	**118**	**4,037,158**	5,533,431
Current assets	26	**26,978**	**-**	**26,978**	30,712
Current liabilities	27	**(10,605)**	**-**	**(10,605)**	(13,211)
Creditors due over one year	28	**(95,803)**	**-**	**(95,803)**	-
Total net assets at 31 March		**3,957,610**	**118**	**3,957,728**	5,550,932

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on pages 31 and 32 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 40 to 65 form an integral part of these financial statements.

These financial statements were approved by the Trustee on ……………………………and signed on its behalf by:

.... Director .... Director

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements have been prepared on a going concern basis and in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP).

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The registered address of the Scheme is at 20 Gracechurch Street, London, EC3V 0BG.

Notes to the Financial Statements

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

Fund Account

	Note	Defined Benefit Section 2022 £000	Defined Contribution Section 2022 £000	Total 2022 £000
Contributions and benefits				
Employer contributions		99,704	-	99,704
Employee contributions		-	-	-
Total contributions	5	99,704	-	99,704
Transfers in	6	253	-	253
Other income	7	(72)	105	33
		99,885	105	99,990
Benefits paid or payable	8	(172,872)	-	(172,872)
Payments to and on account of leavers	9	(27,467)	-	(27,467)
Bulk transfers out	10	-	(823)	(823)
Administrative expenses	11	(9,326)	-	(9,326)
Other payments		(5)	-	(5)
		(209,670)	(823)	(210,493)
Net withdrawals from dealings with members		(109,785)	(718)	(110,503)
Returns on investments				
Investment income	13	290,122	-	290,122
Change in market value of investments	14	(152,270)	273	(151,997)
Investment management expenses	15	(21,197)	-	(21,197)
Net returns on investments		116,655	273	116,928
Net decrease in the fund		6,870	(445)	6,425
Transfers between sections	33	2,170	(2,170)	-
Net assets at 1 April		5,541,653	2,854	5,544,507
Net assets at 31 March		5,550,693	239	5,550,932

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

Statement of Net Assets (available for benefits)

	Note	Defined Benefit Section 2022 £000 (As re-stated)	Defined Contribution Section 2022 £000	Total 2022 £000 (As re-stated)
Investment assets:	14			
Bonds		2,398,319	-	2,398,319
Property		53,640	-	59,117
Pooled investment vehicles	18	2,578,609	111	2,578,720
Derivatives	19	251,106	-	251,106
Special purpose vehicle	21	258,000	-	258,000
AVC investments	23	3,312	-	3,312
Insurance policies		-	128	128
Longevity swaps	20	743	-	743
Cash		983,612	-	977,422
Other investment balances		15,207	-	15,207
		6,542,548	239	6,542,787
Investment liabilities:	14			
Longevity swaps	20	(46,634)	-	(46,634)
Derivatives	19	(464,853)	-	(464,853)
Repurchasing agreements	22	(495,265)	-	(495,265)
Other investment balances		(2,604)	-	(2,604)
		(1,009,356)	-	(1,009,356)
Total net investments	14	5,533,192	239	5,533,431
Current assets	26	30,712	-	30,712
Current liabilities	27	(13,211)	-	(13,211)
Total net assets at 31 March		5,550,693	239	5,550,932

Following the appointment of JP Morgan as the Scheme's custodian with effect from 1 April 2022, certain investment holdings, as previously reported at 31 March 2022, have been re-categorised in line with how the custodian has classified those securities. As a result, the opening valuations of certain investment categories reported above at 1 April 2022 are restated to reflect the custodian's classification. There has been no impact on the total investment portfolio valuation, as previously reported, as a result of this change in categorisation.

Notes to the Financial Statements

4. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employer other contributions in respect of administration expenses and Group Life contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions.

Special contributions are accounted for in accordance with the agreement under which they are payable.

Payments to members

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

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

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

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

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

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Expenses

Fees and expenses are accounted for in the period in which they fall due, net of recoverable VAT.

The Scheme bears the cost of all administration and investment expenses. Additional contributions to fund administration expenses are paid by the participating employers each month. The Principal Employer pays Scheme administrative expenses and certain investment expenses throughout the year and re-charges to the Scheme.

Investment income

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

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Rental income is accrued as earned under the terms of the lease.

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

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income. Other derivative income is accounted for when declared by the investment manager.

Other income comprises interest received on the Scheme's interest in the AXA Scottish Limited Partnership ("SLP") and is accounted for when received under the agreement.

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

4. Accounting policies (continued)

Loans

Borrowings are accounted for in accordance with the loan agreements under which they are arranged and reported within creditors due over one year. Interest on loan agreements is reported within interest payable.

Consolidation

Subsidiaries are entities over which the Scheme has the power to govern the financial and operational policies. The Scheme has not prepared consolidated accounts on the grounds of immateriality and has accounted for subsidiaries using the equity method of accounting based on values derived from audited financial statements or other reliable financial information as at the reporting date which represent the Trustee's estimate of fair value.

Investments

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

Investments are included at fair value as described below:

Bonds are valued using valuation techniques that use observable market data. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Properties are included on the basis of their assessed, open market value at the year end. Properties were valued as at the reporting date by CB Richard Ellis, Chartered Surveyors. The properties are valued in accordance with the Royal Institution of Chartered Surveyors valuation guidelines.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

The Scheme's interest in the AXA Scottish Limited Partnership ("SLP") has been valued by the Trustee, having consulted its advisers, at fair value. The fair value is deemed to be the present value of the discounted expected future income stream from the SLP. The valuation is computed using a model which takes into account a number of assumptions used to derive the discount rate such as credit and illiquidity risk premiums.

Insurance policies comprise with-profits funds and are valued at the estimate of their fair value as provided by the fund manager.

Private equity investments are stated at values provided by the fund managers, which are prepared in accordance with International Private Equity and Venture Capital or equivalent international guidelines.

Swaps are stated at fair value as reported in the valuation provided by the investment manager at the year end. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gain or losses on open contracts.

Notes to the Financial Statements

4. Accounting policies (continued)

Stock index futures are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at current bid or offer market quoted price of the contract. Amounts due to or from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains or losses on closed future contracts and the unrealised gains or losses on open future contracts.

Forward foreign exchange contracts outstanding at the year end, are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Sales and purchases on forward foreign exchange contracts have been recognised on a gross basis.

The Longevity swaps have been valued on a fair value basis based on the expected future cash flows arising under the swap discounted using market interest rates and taking into account the risk premium inherent in the contracts. The valuation, which is provided by the investment manager, is based on an estimate of the assumptions that a hypothetical third party would use for future mortality and premiums.

Options are valued at their mark to market value. If a quoted market price is not available on a recognised exchange, the fair value is calculated using pricing models where inputs are based on market data at the year end.

Non-UK currencies are translated to Sterling at the rates ruling at the Scheme year end. Where forward sales of foreign currency have been made as a hedge against exposure on foreign currency investments, any unrealised profit or loss at the year end, (measured by the difference between spot rate and contracted rate), is included in the change in market value of investments. Realised gains and losses on forward contracts maturing during the year are also included in change in market value.

Index linked and/or fixed interest investments are sold subject to contractual agreements (“Repurchase Agreements”) for the repurchase of equivalent securities. The securities sold are accounted for within their respective investment classes as if they had been held at the year end market value.

The contracts to buy back the equivalent securities, the Repurchase Agreements, are an investment liability and the market value reported is the cash received from the counterparty at the opening of the agreements.

The unrealised and realised gain and loss on all Repurchase Agreements is reported in investment income.

The additional voluntary contribution (AVC) investments comprise policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

The Trustee holds some annuity contracts that cover the benefits of a small number of members. The value of these contracts is not considered material to these financial statements.

Presentation currency

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

Notes to the Financial Statements

5. Contributions

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Employer contributions						
Other – administration expenses	**2,341**	**-**	**2,341**	1,704	-	1,704
Special	**-**	**-**	**-**	98,000	-	98,000
	2,341	**-**	**2,341**	99,704	-	99,704

The Trustee and Principal Employer have agreed a Recovery Plan to eliminate the shortfall in the Scheme assets. Under this Recovery Plan, the participating employers will pay an additional £81m into the Scheme each year to 31 March 2031, which will be adjusted up or down depending on how the funding position progresses.

6. Transfers in

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Individual transfers in from other schemes	**305**	**-**	**305**	253	-	253

7. Other income

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Claims on term insurance policies	**-**	**-**	**-**	(105)	105	-
Compensation	**2**	**-**	**2**	33	-	33
	2	**-**	**2**	(72)	105	33

The amounts of £105,000 reported in 2022 under claims on term insurance policies are in respect of a reversal of a 31 March 2021 accrual which was no longer payable by the DC section to the DB section.

8. Benefits paid or payable

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Pensions	**154,238**	**-**	**154,238**	149,343	-	149,343
Commutations and lump sum retirement benefits	**25,951**	**-**	**25,951**	23,284	-	23,284
Lump sum death benefits	**16**	**-**	**16**	78	-	78
Taxation where lifetime or annual allowance exceeded	**739**	**-**	**739**	167	-	167
	180,944	**-**	**180,944**	172,872	-	172,872

9. Payments to and on account of leavers

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Individual transfer values paid to other schemes	**8,770**	**-**	**8,770**	**27,467**	**-**	**27,467**

10. Bulk transfers out

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Bulk transfer out to Master Trust	**-**	**-**	**-**	-	823	823

Following the closure of the DC section to new contributions in 2021, there was a bulk transfer of the majority of the DC assets and liabilities to a Master Trust arrangement with LifeSight in 2022. The transition to LifeSight was effected through a combination of the transfer of ownership of assets and cash. There remains one DC member who has a DB underpin at the year end (2022: two).

11. Administrative expenses

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Actuarial fees	**1,391**	**-**	**1,391**	1,156	-	1,156
Administration fees	**5,968**	**-**	**5,968**	4,977	-	4,977
Audit fees	**99**	**-**	**99**	98	-	98
Legal & other professional fees	**1,959**	**-**	**1,959**	2,854	-	2,854
Scheme levies	**240**	**-**	**240**	241	-	241
	9,657	**-**	**9,657**	9,326	-	9,326

As the employers are substantially insurance companies which are unable to reclaim VAT on supplies, the cost of VAT on expenses is borne by the Scheme. The Scheme bears the cost of all administration expenses.

Administration fees include costs recharged by AXA UK plc to the Scheme in respect of administrative services the employer provides, as disclosed in note 28.

Included within Administration fees is a £2.4m (2022: £2.4m) premium paid for the protection provided by the guarantee that the Scheme can call upon to make whole any contribution due from the Participating Employers or the Principal Employer up to a specified cap, currently £1,200m (2022: £1,200m).

Notes to the Financial Statements

12. Interest payable

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Interest payable to the Employer	**414**	**-**	**414**	-	-	-

Interest payable to the Employer is in respect of a £300m temporary liquidity facility support agreement between the Employer and the Trustee. The interest was payable at a rate of 0.268% against undrawn capital and 0.64% + SONIA + Credit Adjustment Spread dependant on the timescale of the drawn facility.

A loan from AXA Insurance UK plc to the value of £100m was taken out on 28 February 2023. This is due to be paid back on 28 February 2025 in full with interest payable at a rate of 2% + SONIA.

13. Investment income

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Bonds	**65,955**	**-**	**65,955**	261,311	-	261,311
Pooled investment vehicles	**79,441**	**-**	**79,441**	28,862	-	28,862
Net derivative income	**(254,078)**	**-**	**(254,078)**	(277)	-	(277)
Income from special purpose vehicle	**7,598**	**-**	**7,598**	7,953	-	7,953
Net rents from properties	**965**	**-**	**965**	234	-	234
Interest on cash deposits	**7,459**	**-**	**7,459**	371	-	371
Annuity income	**108**	**-**	**108**	104	-	104
Foreign exchange gain/(loss)	**5,926**	**-**	**5,926**	(8,436)	-	(8,436)
	(86,626)	**-**	**(86,626)**	290,122	-	290,122

Notes to the Financial Statements

14. Reconciliation of investments

	Value at 1 April 2022 £000 (As re-stated)	Purchases at cost & derivative payments £000	Sales proceeds & derivative receipts £000	Change in market value £000	Value at 31 March 2023 £000
Defined Benefit Section					
Bonds	2,398,319	**2,242,545**	**(2,616,747)**	**(328,557)**	**1,695,560**
Pooled investment vehicles	2,578,609	**6,259,567**	**(6,998,906)**	**21,145**	**1,860,415**
Derivatives	(213,747)	**24,298,738**	**(23,661,034)**	**(906,097)**	**(482,140)**
Property	53,640	**2,501**	**(5,312)**	**(7,104)**	**43,725**
Special purpose vehicle	258,000	**-**	**(13,971)**	**(28,029)**	**216,000**
Longevity swaps	(45,891)	**-**	**-**	**(37,504)**	**(83,395)**
Equities	-	**325**	**-**	**-**	**325**
AVC investments	3,312	**-**	**(607)**	**(82)**	**2,623**
	5,032,242	**32,803,676**	**(33,296,577)**	**(1,286,228)**	**3,253,113**
Cash	983,612				**764,038**
Amounts due under repurchase agreements	(495,265)				**(528)**
Other investment balances	12,603				**20,417**
	5,533,192				**4,037,040**
Defined Contribution Section					
Pooled investment vehicles	111	**-**	**(38)**	**(5)**	**68**
Insurance policies	128	**-**	**(56)**	**(22)**	**50**
	239	**-**	**(94)**	**(27)**	**118**

The defined Contribution Sections' assets of £118,000 (2022: £239,000) were wholly designated to members as at 31 March 2023.

There were no direct transaction costs in the year, however indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those investments.

Following the appointment of JP Morgan as the Scheme's custodian with effect from 1 April 2022, certain investment holdings, as previously reported at 31 March 2022, have been re-categorised in line with how the custodian has classified those securities. As a result, the opening valuations of certain investment categories reported above at 1 April 2022 are restated to reflect the custodian's classification. There has been no impact on the total investment portfolio valuation, as previously reported, as a result of this change in categorisation.

15. Investment management expenses

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Administration, management and custody	**7,937**	**-**	**7,937**	6,525	-	6,525
Longevity swap payments	**14,806**	**-**	**14,806**	14,191	-	14,191
Other investment management expenses	**443**	**-**	**443**	481	-	481
	23,186	**-**	**23,186**	21,197	-	21,197

16. Concentration of investments

The following investments other than UK government securities, each accounted for more than 5% of the Scheme's net assets at the year end:

	£000	2023 Total %	£000	2022 Total %
Alternative Credit Fund - CVI Aiguille Verte	**227,627**	**5.6**	236,350	4.3
Institutional Cash Series Pooled Fund	**422,842**	**10.4**	686,759	12.4
AXA UK Long Lease Property Unit Trust	**317,378**	**7.8**	371,892	6.7

17. Taxation

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

18. Pooled investment vehicles

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

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Alternative credit fund	**678,531**	**-**	**678,531**	786,921	-	786,921
Specialist credit funds	**371,935**	**-**	**371,935**	663,657	-	663,657
Equity funds	**52**	**-**	**52**	53	-	53
Diversified growth funds	**-**	**68**	**68**	-	69	69
Property funds	**381,374**	**-**	**381,374**	434,443	-	434,443
Private equity funds	**1,563**	**-**	**1,563**	3,358	-	3,358
Cash funds	**422,843**	**-**	**422,843**	686,759	42	686,801
Mezzanine debt funds	**2,244**	**-**	**2,244**	1,149	-	1,149
Unit linked insurance policies	**1,873**	**-**	**1,873**	2,269	-	2,269
	1,860,415	**68**	**1,860,483**	2,578,609	111	2,578,720

Notes to the Financial Statements

19. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows:

Futures - Futures are used to change the Scheme's exposure to equity markets and to facilitate more efficient portfolio management.

Options - The Scheme uses options to give protection against falls in the market value of assets held.

Swaps - The Scheme has entered into swap contracts to match as far as possible the Scheme's long-term liabilities, in particular in relation to their sensitivities to interest rate movements.

Forward FX - The Scheme uses forward foreign exchange contracts to hedge against the risk of investment in foreign currency denomination assets whilst having the obligation to settle benefits in sterling.

At the year end the Scheme had the following derivatives:

	2023 Assets £000	**2023 Liabilities £000**	**2022 Assets £000**	**2022 Liabilities £000**
Exchange Traded:				
Futures	**-**	**(3,200)**	13,807	(1,284)
Over the Counter (OTC):				
Swaps	**116,022**	**(631,421)**	235,433	(407,851)
Forward FX contracts	**38,887**	**(2,428)**	1,866	(55,718)
	154,909	**(637,049)**	251,106	(464,853)

(i) Futures

Type of contract	**Expiration**	**Underlying investment**	**Notional value £000**	**Aggregate asset £000**	**Aggregate liability £000**
Future	3 month	US Treasury Notes	**(1,748)**	**-**	**(20)**
Future	3 month	US Treasury Bonds	**(100,939)**	**-**	**(3,144)**
Future	3 month	European Bonds	**(955)**	**-**	**(36)**
				-	**(3,200)**

The notional value of stock purchased under the futures contract is the value subject to market movements.

(ii) Swaps

Number of contracts	**Expiration**	**Nature**	**Notional principal £000**	**Aggregate asset £000**	**Aggregate liability £000**
37	Aug 2025 – Dec 2072	Inflation rate	**(1,033,394)**	**86,551**	**-**
86	Aug 2025- Feb 2073	Interest rate	**2,345,250**	**23,773**	**(631,421)**
5	Jun 2027 – Jan 2053	Other	**(31,500)**	**5,698**	**-**
				116,022	**(631,421)**

The notional principal of the swap is the amount used to determine the value of the swapped interest receipts and payments.

19. Derivatives (continued)

The table below gives an overview of the collateral held in respect of the Scheme's swap contracts:

	2023 Total £000	2022 Total £000
Collateral received		
Government bonds	**53,568**	56,320
Collateral pledged		
Government bonds	**763,769**	55,610

(iii) Forward foreign exchange

Number of contracts	Settlement date	Currency bought '000	Currency sold '000	Asset £000	Liability £000
5	19/04/2023	**EUR 19,386**	**GBP 17,198**	**-**	**(155)**
1	16/05/2023	**EUR 38,041**	**GBP 33,660**	**-**	**(184)**
6	16/05/2023	**GBP 622,765**	**USD 759,794**	**8,799**	**-**
5	21/06/2023	**GBP 658,375**	**USD 781,268**	**27,487**	**-**
1	03/04/2023	**GBP 118**	**EUR 135**	**-**	**-**
5	19/04/2023	**GBP 193,820**	**EUR 218,228**	**1,777**	**-**
5	16/05/2023	**GBP 60,337**	**EUR 67,536**	**824**	**-**
1	03/04/2023	**USD 1,148**	**GBP 929**	**-**	**-**
5	19/04/2023	**USD 35,524**	**GBP 29,160**	**-**	**(438)**
1	16/05/2023	**USD 151,327**	**GBP 123,924**	**-**	**(1,651)**
				38,887	**(2,428)**

20. Longevity swaps

The Scheme also has three longevity swaps which were valued at -£50.1m, -£28.9m and -£4.3m respectively as at 31 March 2023 (2022: -£30.4m, -£16.3m and £0.7m).

From 2020, these arrangements were transacted through the Guernsey Insurance companies, Lanternone IC Limited, Greenland IC LImited, Methuselah IC Limited which are 100% owned by AXA UK Pension Trustees Limited, which is the Trustee of the Scheme.

20. Longevity swaps (continued)

The collateral on these swaps is as follows:

Longevity swap collateral required at 31 March 2023	Experience collateral £000	Fee collateral £000	Total collateral £000
2015 Longevity swap (Lantern)	41,814	63,259	105,073
2019 Longevity swap (Greenland) [1]	2,053	13,655	15,708
2020 Longevity swap (Methuselah) [2]	-	-	-
	43,867	**76,914**	**120,781**

Longevity swap collateral required at 31 March 2022	Experience collateral £000	Fee collateral £000	Total collateral £000
2015 Longevity swap (Lantern)	34,489	78,778	**113,267**
2019 Longevity swap (Greenland) [1]	-	16,518	**16,518**
2020 Longevity swap (Methuselah) [2]	-	-	-
	34,489	**95,296**	**129,785**

[1] As at 31 March 2023 the reinsurer (Swiss Re) was required to post £nil (2022: £1,223,000) of experience collateral.

[2] Within the Methuselah swap contract, the Scheme is only required to post fee collateral to the extent the reinsurer (Hannover Re) is posting experience collateral. There was no reinsurer experience collateral posted at the current or preceding year end.

The key assumptions used for the 31 March 2023 valuation are shown below:

	Lantern	Greenland	Methuselah
Discount Rate	SONIA with 1.00% margin	SONIA	SONIA
Inflation Rate	Swap-implied inflation	Swap-implied inflation	Swap-implied inflation
Mortality Assumptions	Reinsurer specific base tables and improvement model.	Males: 107% of S2PMA_L Females: 100% of S2PFA_L CMI 2014 mortality improvement model with a long-term rate of 1.25% p.a.	Reinsurer specific base tables and improvement model.

21. Special Purpose Vehicle (SPV)

The Asset Backed Arrangement investment totalling £216 million (2022: £258 million) represents the Scheme's interest in a Scottish Limited Partnership ("SLP"), the other limited partner being AXA UK plc.

The Scheme's acquisition of its interest in the SLP was funded by a monetary contribution of £310 million made by AXA UK plc to the Scheme in 2015. The SLP has been capitalised by AXA UK plc by the assignment of a 20 year loan of £350 million from AXA UK to AXA SA to the SLP as its sole asset. The Scheme receives a series of contractually determined cash flows over the period of the loan agreement payable on 31 March annually. The total expected future cash flow over its anticipated lifetime is £471.4 million. The Scheme received £21.6 million on 31 March 2023 (2022: £20.9 million), the interest element of £7.6 million (2022: £7.9 million) is included in investment income in note 13, and the capital element of £14.0 million (2022: £13.0 million) in sales.

The Asset Backed Arrangement is valued by Willis Towers Watson on at least an annual basis, using a discounted cash flow methodology which considers various assumptions used to derive the discount rate, including credit and illiquidity premiums. At 31 March 2023 the discount rate assumption used was gilt yields plus an aggregate risk premium of 2.36% (2022: 2.19%). The aggregate risk premium can be further broken down as:

- Credit Risk Premium: 0.82% (2022: 0.67%)
- Market Illiquidity Premium: 0.50% (2022: 0.48%)
- Additional Illiquidity Premium: 1.04% (2022: 1.04%)

There are no funding triggers in the structure and the intention is for the Trustee's interest in the SLP to cease following the maturity of the loan in 2035.

22. Repurchase agreements

During the year the Scheme has entered into repurchase agreements using its UK government fixed/index linked securities as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Scheme at their market value. At 31 March 2023 the market value of securities sold under repurchase agreements was £1,664,585 (2022: £124,555,097).

Cash received from counterparties in respect of the securities that have been sold has been used by the Scheme to increase its matching assets portfolio. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under investment liabilities. At 31 March 2023 this amounted to £528,358 (2022: £495,265,427) including £144,249 (2022: £580,988) of accrued interest.

At 31 March 2023 there was bond collateral pledged of £976,667 (2022: £9,882,000) against the difference in valuation between the underlying securities and the repurchase agreements.

23. AVC investments

The Trustee holds assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the movements during the year.

The aggregate amounts of AVC investments are as follows:

	2023 Total £000	**2022 Total £000**
Defined Benefit Section		
Aviva	**469**	901
ReAssure Life	**2,154**	2,411
	2,623	3,312

24. Fair value determination

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

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

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

Notes to the Financial Statements

24. Fair value determination (continued)

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

As at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Defined Benefit Section				
Bonds	-	1,669,241	26,319	1,695,560
Pooled investment vehicles	-	1,474,365	386,050	1,860,415
Derivatives	-	(482,140)	-	(482,140)
Property	-	-	43,725	43,725
Special purpose vehicle	-	-	216,000	216,000
Longevity swaps	-	-	(83,395)	(83,395)
Equities	-	325	-	325
AVC investments	-	-	2,623	2,623
Cash	764,038	-	-	764,038
Repurchase agreements	-	(528)	-	(528)
Other investment balances	20,417	-	-	20,417
	784,455	2,661,263	591,322	4,037,040
Defined Contribution Section				
Pooled investment vehicles	-	68	-	68
Insurance policies	-	-	50	50
	-	68	50	118
Total investments	784,455	2,661,331	591,372	4,037,158

Notes to the Financial Statements

24. Fair value determination (continued)

As at 31 March 2022 (as re-stated)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Defined Benefit Section				
Bonds	-	2,360,509	37,810	2,398,319
Pooled investment vehicles	-	2,137,390	441,219	2,578,609
Derivatives	-	(213,747)	-	(213,747)
Property	-	-	53,640	59,117
Special purpose vehicle	-	-	258,000	258,000
Longevity swaps	-	-	(45,891)	(45,891)
AVC investments	-	-	3,312	3,312
Cash	983,612	-	-	977,422
Repurchasing agreements	-	(495,265)	-	(495,265)
Other investment balances	12,603	-	-	13,316
	996,215	3,788,887	748,090	5,533,192
Defined Contribution Section				
Pooled investment vehicles	-	111	-	111
Insurance policies	-	-	128	128
	-	111	128	239
Total investments	996,215	3,788,998	748,218	5,533,431

25. Investment risk disclosures

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

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

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

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

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

25. Investment risk disclosures (continued)

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

The SORP recommends these risk disclosures are made for all investments.

The Trustee determines its 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 Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

	Credit risk	**Market risk**			**2023 Value £000**	2022 Value £000 (As re-stated)
		Currency	**Interest rate**	**Other price**		
Defined Benefit Section						
Bonds	■	◘	■	□	**1,695,560**	2,398,319
Property	◘	◘	□	■	**43,725**	53,640
Pooled investment vehicles:					**1,860,415**	2,578,609
Direct	■	◘	◘	◘		
Indirect	◘	◘	◘	◘		
Derivatives	◘	◘	◘	◘	**(482,140)**	(213,747)
Other investments	■	□	■	□	**132,077**	(283,156)
AVC investments	■	□	□	■	**2,623**	3,312
Cash deposits and other net investment assets	■	◘	□	□	**784,455**	996,215
Total					**4,036,715**	5,533,192
Defined Contribution Section						
Pooled investment vehicles	■	◘	◘	◘	**68**	111
Insurance policies	■	■	■	■	**50**	128
Total					**118**	239

In the above table, the risk noted affects the asset class [■] significantly, [◘] partially or [□] hardly/not at all.

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

25. Investment risk disclosures (continued)

Defined Benefit Section

Investment strategy

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

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

The current strategy is to hold:

- 45% (2022: 45%) in investments that move in line with the long-term liabilities of the Scheme. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government bonds and interest rate swaps, the purpose of which is to hedge against the impact of interest rate movement on long term liabilities.
- 6% (2022: 6%) in synthetic equity exposure.
- 25% (2022: 25%) in liquid and semi-liquid credit strategies, which are comprised of corporate bonds, asset backed securities and European Leveraged Loans.
- 30% (2022: 30%) in illiquid credit which includes exposure to direct lending and distressed asset investing, infrastructure debt and long dated leases.

The above percentages do not add up to 100% as the Scheme has a policy to utilise capital in as an efficient a manner as possible and therefore where possible implements assets exposure in a cost effective manner. This is primarily done in the LDI portfolio for hedging and to gain exposure to equity for diversification.

Credit risk

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Cash is held within financial institutions which are at least investment grade credit rated.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

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 a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. The Scheme is also indirectly exposed to credit risk through the financial instruments that are held by the pooled investment vehicles.

Notes to the Financial Statements

25. Investment risk disclosures (continued)

Credit risk in respect of derivatives and the longevity swaps is reduced through transacting with high quality counterparties and full collateralisation when the Scheme's exposure is in the money.

The SLP is also subject to the credit risk of AXA SA and the income due under the schedule will be dependent on the ability of AXA SA to meet the payments. The SLP valuation incorporates a credit risk adjustment to reflect this risk.

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

	2023 £000	2022 £000 (As re-stated)
Shares of limited liability partnerships	**1,860,415**	2,578,609

Currency risk

The Scheme is subject to currency risk as some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure) as detailed on page 58. The Trustee has a policy of fully hedging any FX risk arising on credit to ensure fixed income returns are not overwhelmed by FX volatility.

Interest rate risk

The Scheme is subject to interest rate risk as some of the Scheme's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash as detailed on page 58. Under the current hedging strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will actuarial liabilities because of an increase in the discount rate. Over the year, due to the rise in gilt yields the value of both the LDI investments and actuarial liabilities decreased. At the year end the LDI investments represented 31.21% of the total investment portfolio (2022: 25.06%).

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held properties, equities held in pooled vehicles, hedge funds, private equity and investment properties as detailed on page 58. At the year end the return seeking assets represented 25% of the total investment portfolio (2022: 36%).

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

Defined Contribution Section

Investment strategy

The Trustee's objective prior to the closure of the Defined Contribution Section was to make available a range of investment options designed to generate income and capital growth offering an appropriate level of risk and return to members of the Scheme. Contributions from members and their employer were invested in the default option or investment options selected by the members. The objective was to provide an amount at retirement with which the member could purchase a pension annuity or another type of retirement product, including 'drawdown'. Members also had the option to withdraw their benefits as cash.

25. Investment risk disclosures (continued)

The Statement of Investment Principles (SIP), which is attached to the financial statements, outlines the investment objectives and strategy for the Defined Contribution assets of the Scheme.

The investment funds offered to members were "white labelled" funds provided by BlackRock Life Limited ("BLK"). The white-labelled funds were funds which were specifically created for the Scheme, and the Trustee was responsible for selecting appropriate underlying investment funds to be held by the white labelled fund. When a white labelled fund had more than one underlying investment fund then BLK was responsible for maintaining the asset allocation between underlying investment funds. BLK was also responsible for monitoring the liquidity of all funds made available to the Scheme (white labelled or not).

The Trustee had a policy of insurance in place with BLK which was the Scheme's "asset". The policy and supporting documentation set out how the Scheme's investments would be operated and administered including rebalancing ranges and rebalancing frequency. Guidelines for the underlying investments held by the funds were set out in the funds' respective prospectuses, provided by the underlying investment managers. The day-to-day management of the underlying investments of the funds was the responsibility of these underlying investment managers, including the direct management of credit and market risks.

The Trustee monitored the underlying risks by quarterly investment reviews which included a variety of monitoring information about the underlying investment managers.

The risks disclosed here relate to the DC Section's investments as a whole. Members were able to choose their own investments from a range of funds offered by the Trustee and therefore may have faced a different profile of risks from their individual choices compared with the DC Section as a whole. As the majority of the DC Section assets were transferred to a Master Trust arrangement with LifeSight during 2021/2022, the risks described below relate to the residual assets held in the DC Section at the year end.

Credit risk

The DC section was subject to direct credit risk in relation to BLK through its holding in unit-linked funds provided by BLK.

BLK is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders.

The DC section was also subject to indirect credit risk arising from the underlying investments held in the funds. These risks were managed by the underlying investment managers of the white labelled funds offered to members. Member level risk exposures was dependent on the funds invested in by members.

Market risk

The Scheme's DC Section was also subject to indirect market, foreign exchange, interest rate and other investment risks arising from the underlying financial instruments held by the funds provided by BLK as shown in the table below.

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk	2023 Total £000	2022 Total £000
Aegon BlackRock Consensus Index (BLK)	✓	✓	✓	✓	**68**	69
Aegon BlackRock Aquila Life World (Ex UK) Equity Index (BLK)		✓		✓	**-**	42
Total					**68**	111

Notes to the Financial Statements

26. Current assets

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Bank interest	**5**	**-**	**5**	-	-	-
Cash deposits held with the Scheme Administrator	**26,973**	**-**	**26,973**	30,712	-	30,712
	26,978	-	**26,978**	30,712	-	30,712

27. Current liabilities

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Lump sums on retirement payable	**581**	**-**	**581**	504	-	504
Taxation	**2,429**	**-**	**2,429**	2,309	-	2,309
Administration expenses payable	**1,284**	**-**	**1,284**	2,263	-	2,263
Investment management expenses payable	**6,242**	**-**	**6,242**	8,066	-	8,066
Other	**69**	**-**	**69**	69	-	69
	10,605	**-**	**10,605**	13,211	-	13,211

28. Creditors due over one year

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Loan from AXA Insurance UK plc	**95,803**	**-**	**95,803**	-	-	-

The loan from AXA Insurance UK plc is in respect of a £100m fixed term amortising loan taken out on 28 February 2023 which is owed to the Employer. The loan is due to be repaid through paying 30% of any redemptions received by the Scheme from the Alternative Credit Fund during the period the loan is outstanding. Any outstanding amounts are due to be paid back on 28 February 2025 (with 1 year extension in option) in full with interest payable at a rate of 2% + SONIA. The loan has been recognised as due over one year as it is uncertain when any redemptions will be received from the Alternative Credit Fund. At 31 March 2023, a total of £4.2m has been repaid to AXA Insurance UK plc. AXA Insurance UK plc has a charge over the units held in the Alternative Credit Fund in case of a default over the loan.

29. Related party transactions

As mentioned in the Trustee's Report and the accounting policies, the Principal Employer has paid the majority of the costs of administering the Scheme for the year and has invoiced the Scheme. The total amount paid by the Principal Employer in respect of the year ended 31 March 2023 and invoiced to the Scheme was £9.7m for administration expenses (2022: £9.3m) and £0.4m for other investment expenses (2022: £0.4m).

29. Related party transactions (continued)

Included within the administration expenses are fees totalling £106,961 (2022: £102,572) which were paid to Law Debenture, £159,455 (2022: £179,550) to Zedra Governance Limited (formerly Clear Pen Solutions Limited) and £171,831 (2022: £107,093) to Ross Trustees Services Limited for their trustee services for the year ended 31 March 2023.

Also included within the administration expenses are AXA in-house staff costs totalling £1,267,877 (2022: £903,837).

The following Trustee Directors of AXA UK Pension Trustees Limited were in receipt of a pension from the Scheme during the year:

Mr K Smith

Mr E Davis

No investment managers, other than AXA Investment Managers UK Limited, and AXA Real Estate Investment Managers UK Limited are associated or linked to the participating employers. The value of the fees paid to the AXA related investment managers for the year ended 31 March 2023 was £849,357 (2022: £700,225). At the year-end an amount of £130,676 (2022: £279,078) was owed to the Principal Employer in respect of year ended 31 March 2023 fees, these are included within current liabilities.

The Principal Employer and AXA SA provide the Scheme with a back-to-back guarantee that the Scheme can call upon any to make whole any contribution due from the Participating Employers or the Principal Employer up to a specified cap, currently £1,200m (2022: £1,200m). The Scheme pays a premium for the protection provided by the guarantee. For the year-ending 31 March 2023 this was £2.4m (2022: £2.4m).

The Scheme has an interest in the AXA Scottish Limited Partnership as referred to in note 21. Further details are also set out in the Trustee's Report on page 7. The Scheme received a special contribution of £310 million in 2015 from AXA UK in order to purchase its interest in the SLP. AXA UK also assigned its loan to the SLP in which the Scheme is a limited partner. Annual income streams relating to the servicing of the loan by AXA SA will be received by the Scheme from 31 March 2016 to 2035.

During the year, the Scheme's principal employer, provided temporary support to assist with liquidity following collateral calls. This allowed the Trustee to loan £300m, £200m initially on 30 September 2022 and a further £100m on 14 October 2022. This was paid back by the Scheme in full on 16 December 2022 at a rate of 0.268% against undrawn capital and 0.64% + SONIA + Credit Adjustment Spread dependant on the timescale of the drawn facility.

A loan from AXA Insurance UK plc to the value of £100m was taken out on 28 February 2023 which will be repaid in full. This is due to be paid back on 28 February 2025 in full with interest payable at a rate of 2% + SONIA.

The total interest charged on the loans provided by the Employer for the year ended 31 March 2023 was £414k and is disclosed in note 12.

Anastasis ICC Limited, Lanternone IC Limited, Greenland IC Limited, and Methuselah IC Limited, companies incorporated in Guernsey, are used to facilitate longevity insurance for the Scheme. They are subsidiaries of the Scheme, and their operational costs are borne by the Scheme.

30. Stock lending

The Trustee did not engage in stock lending during the financial year and did not have plans to enter into any stock lending arrangements as at the year end.

Notes to the Financial Statements

31. Contingencies and commitments

At 31 March 2023, the Scheme had the following financial commitments:

- Infrastructure AXA IM of £6.3m (2022: £54m)
- Real Estate Debt Alliance Bernstein of £Nil (2022: £Nil)
- Real Estate Debt AXA IM of £Nil (2022: £16m)
- Long Lease AXA IM of £16m (2022: £16m)
- Alternative Credit Fund (ACF) AXA IM of £103m (2022: £135m);

The Scheme does not have any contingent liabilities that are unapproved at 31 March 2023 (2022: £Nil) other than the payment of future benefits under the Scheme Rules.

32. GMP Equalisation

As explained on page 12 of the Trustee report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit schemes. The judgement concluded the Schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. Any adjustments necessary will be recognised in the financial statements in future years.

The last actuarial valuation as at 31 March 2021 includes a provision of 0.3% for the total increase in the actuarial liabilities due to GMP equalisation. Based on the funding update as at 31 March 2023 the provision equates to £12.6m. There is currently no split between past and future liabilities, however the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements.

33. Transfers between sections

	2023 DB £000	**2023 DC £000**	**2023 Total £000**	**2022 DB £000**	**2022 DC £000**	**2022 Total £000**
Transfer of benefits from DC to DB	**94**	**(94)**	**-**	2,170	(2,170)	-
	94	**(94)**	**-**	2,170	(2,170)	-

The transfer between sections relates to monies received from Aegon and Aviva in respect of DC member benefits which have been disinvested into and used to set up a DB pension. There was also a residual balance of £31,312 transferred from the DC section to the DB section in 2022 in respect of the DC investments held with Aegon being fully divested.

Notes to the Financial Statements

34. Subsidiaries

The Scheme has investments in four 100% directly owned subsidiaries through the Trustee Company, Anastasis ICC Limited, Lanternone IC Limited, Greenland IC Limited, and Methuselah IC Limited, which are incorporated in Guernsey. These subsidiaries form part of the Scheme's longevity risk management strategy. The total investment in these companies is £0.3m (2022: £Nil), which has been disclosed within the equities value in note 14. At the year-end the aggregate amount of net assets, which consisted of cash, within the subsidiaries was £0.4m (2022: £Nil).