AXA UK Group Pension Scheme

Scheme Registration Number: 477312

Trustee’s Annual Report and Financial Statements
For the Year Ended 31 March 2024

Contents

Trustee, Principal Employer and Advisers

Trustee
AXA UK Pension Trustees Limited

Principal Employer
AXA UK plc (AXA UK)

Participating 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
Redington Limited

Covenant Advisers
Interpath Advisory

Trustee, Principal Employer and Advisers

Investment Managers
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)
AXA UK Group Pension Scheme Management Limited (appointed 13 December 2023)

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 2024. The Scheme now only comprises the Defined Benefit ("DB") section, the DC section closed on 30 September 2020 with members being transferred to a Master Trust arrangement with LifeSight and the remaining assets being transferred to the DB section to set up benefit payments.

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 E Davis – Member-nominated

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

Mr K Smith – Member-nominated

Mr S Yandle – Zedra Governance Limited - Company-appointed (retired December 2023)

Ms J Fairbairn – Zedra Governance Limited - Company-appointed (from June 2023)

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

The Trustee governance structure was amended with effect from 1 January 2023, with the majority of the items 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 2024, there were eight Trustee Board meetings.

DB Investment Committee

Trustee Directors:	Zedra Governance Limited: Mr S Yandle – Chair (to December 2023)
	The Law Debenture Pension Trust Corporation plc: Ms S Pitt – Chair (from December 2023)
	Mr I Craston

Since 1 January 2023, these tasks have been discussed by the full Trustee board.

Governance and Audit Committee (GAC)

Trustee Directors:	The Law Debenture Pension Trust Corporation plc: Ms S Pitt - Chair (to October 2023)
	Zedra Governance Limited: Ms J Fairbairn (from January 2024) - Chair
	Mr K Smith

Since 1 January 2023, these tasks have been discussed by the full Trustee Board, a specific GAC meeting was held in September 2023.

Trustee's Report

Strategy Committee

Trustee Directors: Zedra Governance Limited: Mr S Yandle – Chair (to December 2023)

The Law Debenture Pension Trust Corporation plc: Ms S Pitt - Chair (from December 2023)

Mr I Craston

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. There were no SC meetings during this Scheme year.

Administration and Communication Committee (ACC)

Trustee Directors: Mr K Smith – Chair

Mr E Davis

Zedra Governance Limited: Mr S Yandle (to December 2023)

Since 1 January 2023, these tasks have been discussed by the full Trustee Board, there were no ACC meetings arranged in 2023/24.

Benefits Committee (BCC)

Trustee Directors: Mr E Davis – Chair

The Law Debenture Pension Trust Corporation plc: Ms S Pitt (to December 2023)

Zedra Governance Limited: Ms J Fairbairn (from January 2024)

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

Zedra Governance Limited: Ms J Fairbairn (from January 2024)

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 2024.

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).

Trustee's Report

Financial Development

The Financial Statements on pages 39 to 62 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 2024 was £3.8 billion (2023: £4.0 billion). There was a decrease that comprised of net withdrawals from dealings with members of £196.4 million (2023: £196.7 million) together with net decreases on investments of £9.7 million (2023: decrease of £1,396.5 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.

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 31 March 2031 (from 31 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).

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 19 to the Financial Statements.

Trustee's Report

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 2024, they represented the Scheme's exposure to improvements in longevity covering some £1.2 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 2024, they represented the Scheme's exposure to improvements in longevity covering broadly £323 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 2024, this was broadly £465 million of pensioner liabilities.

In aggregate, over 95% of the pensioner 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.

Pensions in Payment

The Principal Employer, in conjunction with the Trustee, reviewed pensions in payment for Scheme pensioners with effect from 1 January 2024. 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 2023 was 8.9% (September 2022: 12.6%). 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 2023 was 10.7% (June 2022: 11.8%).

No discretionary increases were awarded during the year.

Trustee's Report

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.

The final remaining DC assets were transferred to the DB section in 2023 to set up benefit payments.

Scheme Website

The Scheme's website (Defined benefit section | AXA Pensions (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 2024, which covers the period 1 April 2023 to 31 March 2024. A copy of the updated report, and also a "member friendly" version can be viewed and downloaded on the AXA Pension website (Library | Defined benefit section | AXA Pensions (axa-employeebenefits.co.uk)) under Library and Important Documents.

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 into a loan with AXA Insurance UK plc of £100m (2 years maturity with 1 year extension in option). The cash was received from AXA Insurance UK plc on 28 February 2023, and final repayment was made on 28 March 2024.

AXA UK Group Pension Scheme Management Ltd ("AXA UK GPSM")

A new entity, AXA UK GPSM, has been set-up to facilitate the investment implementation activity of the Trustee. This remains the same internal team that the Trustee has relied upon previously. However, it places the existing infrastructure that supports the Scheme into a more robust regulatory framework and allows the Trustee to fully utilise the resources of AXA UK. This has the potential to increase the speed of deployment of assets to reduce funding volatility, while improving the overall accuracy of the long-term investment goal.

Trustee's Report

This will not change the role and responsibilities of the Trustee. The operations of AXA UK GPSM will focus on implementing the Trustee's strategy and facilitating de-risking of the Scheme at opportune times. This involves moving to the Trustee's long-term strategy of a low-risk cash flow matching portfolio, whilst managing the Scheme's bonds and interest rate, inflation and currency derivatives to reduce risk within the Scheme. This new structure will help improve operational efficiency, allowing investment decisions to be made more efficiently and providing quicker responses to changes in market conditions.

AXA UK GPSM received regulatory approval from the FCA in December 2023, and the transfer of the Scheme's hedging assets from BlackRock to this new entity was completed in May 2024.

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 the shortfall compared to the 2020 annual actuarial 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 agreed to a recovery plan to eliminate the shortfall in the Scheme assets. Under this recovery plan:

- AXA made a payment of £98 million into the Scheme in December 2021 which was a year earlier than set out in the previous agreement.
- Contributions of £81 million per year were due in 2022 and 2023. The actual contributions paid were reduced as the Scheme's funding position improved quicker than expected. Contributions of £62 million per year are due from 2024 to 2030, these contributions may also 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.

These contribution rates are currently being 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 relevant 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.

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 32 and 33.

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:

	Deferred members	Pensioners	Total
At 31 March 2023	13,430	13,375	26,805
Retrospective adjustments	(117)	41	(76)
Unfunded members removed*	-	(235)	(235)
	13,313	13,181	26,494
Retirements	(673)	674	1
Deaths	(21)	(392)	(413)
Transfers out	(22)	(2)	(24)
Spouses and dependants	-	127	127
Records made ineligible	(1)	(17)	(18)
Ineligible records to deferred	5	-	5
Suspended pensioners	-	(27)	(27)
Pensions commuted for cash	(15)	(2)	(17)
Pensions reinstated	-	36	36
At 31 March 2024	**12,586**	**13,578**	**26,164**

The membership statistics do not take account of any movements notified to the Administrator after completion of the annual report and accounts. The prior year figures have also been adjusted for this reason.

*Unfunded members have been removed as they are not part of the AXA Trust.

Guaranteed Minimum Pension ("GMP") Equalisation

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.

The Scheme undertook a consultation exercise in October 2023, with all members who had accrued a GMP as part of their overall pension from the Scheme. As part of the consultation process the Trustee outlined its strategy to use GMP Conversion as part of its solution for addressing GMP Equalisation. An end of Consultation letter was issued in January 2024. The Trustee issued individual impact statements to deferred members in June 2024. The current plan is to issue individual impact statements to pensioners by the end of 2025.

Trustee's Report

The General Code of Practice

The Pensions Regulator's (TPR) long-awaited General Code of Practice came in to force on 27 March 2024. The code consolidates existing codes of practice into one document, as well as introducing some new requirements for pension schemes.

Central to the Code are the Regulator's expectations as to the features of a well-run scheme and how the governing body (those in charge of pension schemes) should comply with their legal duties. Governing bodies will need to have in place an effective system of governance (ESOG), which is a collection of internal controls and procedures in relation to running a pension scheme. The code sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place, which includes the obligation to conduct an Own Risk Assessment (ORA).

While the ORA is a new provision, TPR anticipates that many of the stipulations are already being adhered to by schemes. The Trustee is working with their advisers to identify any gaps and assess what actions need to be taken to ensure compliance with the General Code.

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. Letters were issued to impacted pensioners and one year free membership of Experian was offered.

Following an additional independent forensic review of the affected data that was commissioned by Capita, it was identified that some further items of personal information were unfortunately affected by the cyber incident, which is in addition to those previously notified to pensioners. The Trustee issued a letter to impacted members in May 2024. Within that letter the Trustee confirmed that members would offered the opportunity to extend their free Experian membership by a further year.

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 2024

During the year ended 31 March 2024, the contributions payable to the Scheme by the Employers were as follows:

	2024 Total £000
Total Contributions payable under the Schedule of Contributions:	
Contributions from Employer:	
Deficit	5,300
Other – administration expenses	2,292
Total contributions per note 4 of the financial statements	**7,592**

Investment Matters

This section has been prepared by the Trustee, 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 Trustee.
- **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’s approach to Responsible Investment is set out in the Responsible Investment Policy. 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.

While the Trustee delegates voting and engagement activities to the Scheme's managers, it recognises its responsibility to oversee the activities being carried out by the investment managers on its behalf. The Scheme's investment managers are therefore required to provide qualitative and quantitative data to the Trustee on a regular basis regarding their engagement activities. AXA UK GPSM is also expected to interact with them directly, to hold them to account on a more regular basis and to support the provision of consolidated reporting to the Trustee.

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, with the help of AXA UK GPSM. Investment managers are also periodically invited to present at Trustee meetings and cover stewardship as part of their agenda.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

To best channel stewardship efforts, the Trustee believe that the focus should be on key themes. The themes have been selected by assessing their relevance to the Scheme and its members, the financially material risks that they pose, and the maturity and development of thinking within the industry that allows for ease of integration into the Trustee's approach. The themes of the Employer were also considered when selecting the themes for the Scheme. The key themes the Trustee has selected are Climate Change and Diversity, Equity, and Inclusion (DE&I). The Trustee will consider additional themes in the future and will include them in the policy if deemed significant and relevant.

When appointing a new investment manager, AXA UK GPSM 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.

Trustee's Report

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.

Performance of the Scheme's investments over short and longer periods is summarised as follows (as at 31 March 2024):

	Current Holdings (£m)	12 Month Return (%)	3 Year Return (% pa)	5 Year Return (% pa)
LDI and Overlay Strategies				
BlackRock LDI Assets	4	N/A	N/A	N/A
Rebalancing Account*	102	-	-	-
AXA LDI	1,119	N/A	N/A	N/A
Liquid and Semi-Liquid Strategies				
AXA IM Buy & Maintain	594	-2.1	-7.4	N/A
AXA IM Global Securitised	64	6.8	1.3	1.7
AXA IM CRE Debt	56	5.0	2.6	2.2
AXA IM Infrastructure Debt	143	5.6	3.7	3.5
Wellington Global Securitised	2	-1.5	2.6	1.0
AB Credit	385	-0.8	N/A	N/A
AB Transitional loans	47	4.7	N/A	N/A
AXA IM Global Secured Assets	133	12.3	N/A	N/A
Illiquid Credit Strategies				
AXA IM Alternative Credit Fund	623	5.9	6.0	3.9
M&G Social Housing	30	7.6	-2.1	0.0
AXA IM Long Lease	301	0.1	0.4	2.1
Illiquid Market Strategies				
Ardian Funds	2	-9.8	-6.1	-1.9
AXA IM Property	17	N/A	N/A	N/A

* Includes Trustee bank balance.
Please note: AVCs, longevity swaps and AXA SLP are not included.

Stock Lending

The Scheme does not engage in stock lending.

Investment Strategy

The investment objective of the Scheme 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 Scheme payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP"), a copy of which is available online at: [Library | Defined benefit section | AXA Pensions (axa-employeebenefits.co.uk)](axa-employeebenefits.co.uk).

The Scheme's Asset Allocation as of 31 March 2024 and 31 March 2023:

Asset Class	31-Mar-24(£m)	31-Mar-23 (£m)
LDI and Overlay Strategies	**1,225**	1,237
BlackRock LDI Assets	4	1,195
Rebalancing Account*	102	42
AXA LDI	1,119	-
Liquid and Semi-Liquid Strategies	**1,424**	1,401
AXA IM Buy & Maintain	594	549
AXA IM Global Securitised	64	10
AXA IM CRE Debt	56	78
AXA IM Infrastructure Debt	143	144
Wellington Global Securitised	2	2
AB Credit	385	406
AB Transitional loans	47	64
AXA IM Global Secured Assets	133	148
Illiquid Credit Strategies	**954**	1,097
AXA IM Alternative Credit Fund	623	752
M&G Social Housing	30	28
AXA IM Long Lease	301	317
Illiquid Market Strategies	**19**	50
Ardian Mezzanine Debt	1	1
Ardian Private Equity	1	2
AXA IM Property	17	47
Total	**3,622**	3,785

* Includes Trustee bank balance.
Please note: AVCs, 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 performed broadly in-line with the liability cashflows they aim to hedge. Portfolios used in liability hedging are:

- BlackRock LDI Assets (ceased March 2024)
- AXA UK Group Pension Scheme Management LDI Assets (commenced March 2024)
- 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 23 of the financial statements on pages 55 to 57.

Trustee’s Report

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 2023 to the end of the Scheme’s financial year on 31 March 2024.

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 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 August 2021 SIP was updated in November 2023 to update the Trustee’s Responsible Investment Policy. This reflects the latest DWP guidance on the reporting of stewardship activities through Implementation Statements which came into effect from 1 October 2022.

Overview of Trustee’s Actions

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 changes over the year. These included:

- Transition of the LDI portfolio, which hedges the Scheme’s interest rate and inflation rate hedges, from BlackRock to AXA IM, which was completed over 18th to 22nd March 2024.
- Implementation of cross-currency swaps within the Alliance Bernstein Credit Fund to hedge FX and Interest rate risks within the portfolio. This was completed in two phases in December 2023 and February 2024.
- In February 2024, the Trustee agreed to invest in Next Energy UK ESG Fund, with the first investment made in June 2024. This investment helps to increase the proportion of the Scheme’s assets invested in green assets, as part of its ESG targets.
- In February 2024, the Trustee agreed to invest in an AXA IM Asset Backed Securitised Fund. The first investment was made in July 2024.

- Redemptions were made from AXA IM Global Secured Assets and the AXA IM Alternative Credit Funds in order to improve liquidity within the Scheme, to reduce the total proportion of Scheme assets invested in illiquid assets to below the limit of 40%.

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.

In 2023, the Trustee set up a new organisation called AXA UK Group Pension Scheme Management Limited (“AXA UK GPSM”) to implement the Scheme’s investment strategy. The role of AXA UK GPSM is set out in their IMA. The Investment Managers report to AXA UK GPSM 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 2024/25, 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 has considered its own stewardship priorities and has refined its SIP and Responsible Investment Policy accordingly.

Trustee's Report

To best channel stewardship efforts, the Trustee believe that the focus should be on key themes. The themes have been selected by assessing their relevance to the Scheme and its members, the financially material risks that they pose, and the maturity and development of thinking within the industry that allows for ease of integration into the Trustee's approach. The themes of the Employer were also considered when selecting the themes for the Scheme. The key theme the Trustee selected in November 2023 was Climate Change. It was agreed in March to add an additional theme of Diversity, Equity, and Inclusion (DE&I) which will be reflected in the next update of the SIP. The Trustee will consider additional themes in the future and will include them in the policy if deemed significant and relevant.

The Trustee, via AXA UK GPSM and their fund managers, engages with its managers to ensure that they are in turn engaging with the underlying investee companies on these priorities.

Review of SIP Policies

The Trustee last reviewed the Scheme's Statement of Investment Principles in November 2023.

Overall, the Trustee is satisfied that:

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

The table on the following pages sets out the policies within 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 2021 this equated to an overall discount rate of Gilts + 0.86% p.a. The Trustee is targeting a fully 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.

Trustee’s Report

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

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 and AXA UK GPSM to ensure that the investment strategy remains appropriate. As at March 2024, c.58% of the Scheme’s hedging cashflows were matched with most of the matching being achieved for terms under 30 years. Over the year, the Trustee has considered it’s liquidity requirements. As part of this, it has focussed on increasing the liquid assets (albeit non-cashflow matching given that the Scheme is currently ahead of it’s cashflow-matching target), considered its target level of collateral headroom, and moved a portion of FX hedging to its cashflow matching portfolios.
Risk Management		
The Trustee recognises and monitors a number of risks. In doing so the Trustee considers the risk of both 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 remained 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.	Investment strategy decisions are made in the line with the AXA UK GPSM IMA which considers relevant constraints and limits to ensure the actual strategy remains in line with the overall strategy targets. AXA UK GPSM, with support from the investment consultant, are 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, with a target of reducing the allocation to illiquid assets below 40%. This target was met over 2024. 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.

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 three separate portfolios: 1. Non-cashflow matching portfolio. This provides excess return over the liabilities to reduce the funding deficit. 2. Cashflow matching portfolio. This invests in fixed income assets that distribute regular cashflows to meet a portion of ongoing benefit payments 3. Lump Sum Portfolio. This is used to pay lump sum benefits that are more uncertain, such as transfer values. 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.

Policy	Has the policy been followed?	Evidence
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 AXA UK GPSM, the Scheme's investment advisor (Redington), the Scheme's ad-hoc manager selection consultant (Mercer), the Scheme's legal advisor (Travers Smith), and AXA UK plc ("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. For example, the Trustee utilised AXA Prime's due diligence for the Next Energy UK ESG Fund, which the Trustee agreed to invest in February 2024. The Trustee, through its quarterly investment focussed Trustee Board meetings, 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.
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 remained a key focus over the year.

Policy	Has the policy been followed?	Evidence
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 focussed Trustee Board meetings, 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. The Trustee updated their SIP in November 2023 to update the Trustee's Responsible Investment Policy. This reflects the latest DWP guidance on the reporting of stewardship activities through Implementation Statements which came into effect from 1 October 2022.
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 have 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 focussed Trustee Board meetings. The Scheme's ESG score has remained flat over the year and the carbon footprint has reduced by 15% from 2021. 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. The Scheme has achieved its target green investment exposure of 1% at 31 March 2024, a year ahead of schedule. The target has been met due to new investments in the Infrastructure Fund. This proportion will increase further over the coming year following investment in Next Energy UK ESG Fund.

Policy	Has the policy been followed?	Evidence
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 report identified climate-risks and opportunities which they consider will influence the Scheme's investment strategy (and member security) and assess their impact. As far as they are able, the Trustee, undertake 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. During the selection of the Next Energy Fund for example, AXA UK GPSM provided the Trustee a detailed report including details of the overall renewables market, the specific investment opportunity, an overview of different funds in the space, an explanation of the ESG impact and a summary of the key risks associated with the strategy. 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. For example, AXA IM and AB presented to the Trustee in the February board meeting on Stewardship within the credit matching strategy funds. 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. The Trustee has considered its own stewardship priorities and has refined its SIP accordingly to meet the DWP's new expectations on stewardship. To best channel stewardship efforts, the Trustee selected Climate Change as a key theme in November 2023. It was agreed in March 2024 to add an additional theme of Diversity, Equity, and Inclusion (DE&I) which will be reflected in the next update of the SIP. The Trustee will consider additional themes in the future and will include them in the policy if deemed significant and relevant.

Trustee's Report

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 2023 to 31 March 2024. 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 2024 did they exceed the statutory limit of 5% of the total Scheme assets. As at 31 March 2024 these funds were valued at £0.6m (2023: £1.2m)

The Trustee has taken legal advice and the Scheme's interest in the Scottish Limited Partnership ("SLP") does not constitute an employer related investment (see note 19 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 27 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

Transfer 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 were 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: https://maps.org.uk/en

Email: contact@maps.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.

Trustee's Report

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 of the Trustee's Report

This Trustee's Report on pages 4 to 33 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

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

We have examined the summary of contributions to the AXA UK Group Pension Scheme (the "Scheme") for the Scheme year ended 31 March 2024 which is set out in page 12.

In our opinion, contributions for the Scheme year ended 31 March 2024 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.

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 2024 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 2024

	Note	2024 £000	2023 £000
Contributions and benefits			
Employer contributions		**7,592**	2,341
Total contributions	4	**7,592**	2,341
Transfers in	5	**102**	305
Other income	6	**-**	2
		7,694	2,648
Benefits paid or payable	7	**(190,178)**	(180,944)
Payments to and on account of leavers	8	**(3,376)**	(8,770)
Administrative expenses	9	**(10,556)**	(9,657)
		(204,110)	(199,371)
Net withdrawals from dealings with members		**(196,416)**	(196,723)
Returns on investments			
Interest payable	10	**(7,426)**	(414)
Investment income	11	**172,207**	(86,626)
Change in market value of investments	12	**(168,569)**	(1,286,255)
Investment management expenses	13	**(21,658)**	(23,186)
Net returns on investments		**(25,446)**	(1,396,481)
Net decrease in the fund		**(221,862)**	(1,593,204)
Net assets at 1 April		**3,957,728**	5,550,932
Net assets at 31 March		**3,735,866**	3,957,728

The notes on pages 41 to 62 form an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 31 March 2024

	Note	2024 £000	2023 £000
Investment assets:	12		
Bonds		**1,615,632**	1,695,560
Property		**13,187**	43,725
Pooled investment vehicles	16	**1,719,239**	1,860,483
Derivatives	17	**41,122**	154,909
Special purpose vehicle	19	**207,000**	216,000
AVC investments	21	**2,468**	2,623
Insurance policies		**-**	50
Equities	32	**325**	325
Cash		**677,893**	764,038
Other investment balances		**89,421**	28,609
		4,366,287	4,766,322
Investment liabilities:	12		
Longevity swaps	18	**(91,368)**	(83,395)
Derivatives	17	**(546,232)**	(637,049)
Repurchase agreements	20	**-**	(528)
Other investment balances		**(5,656)**	(8,192)
		(643,256)	(729,164)
Total net investments	12	**3,723,031**	4,037,158
Current assets	24	**24,304**	26,978
Current liabilities	25	**(11,469)**	(10,605)
Creditors due over one year	26	**-**	(95,803)
Total net assets at 31 March		**3,735,866**	3,957,728

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 32 and 33 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 41 to 62 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).

These financial statements, including comparative figures, are presented on a combined basis in respect of the Defined Benefit and Defined Contribution Sections on the basis that the Defined Contribution Section was considered by the Trustee to be no longer material to the Scheme. For the Defined Contribution Section, its Fund Account, Net Asset Statement and relevant Notes for the year end 31 March 2024 and the comparative reporting period are separately disclosed in note 33.

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.

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Deficit funding contributions are accounted for in the period in which they fall due in line with the Schedule of 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.

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.

.

3. Accounting policies (continued)

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.

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.

3. Accounting policies (continued)

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.

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.

3. Accounting policies (continued)

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.

4. Contributions

	2024 £000	2023 £000
Employer contributions		
Other – administration expenses	**2,292**	2,341
Deficit	**5,300**	-
	7,592	2,341

Following the 2021 valuation, the Trustee and Principal Employer agreed to a Recovery Plan to eliminate the shortfall in the Scheme assets. Under this Recovery Plan, the participating employers were due to pay £81m into the Scheme in 2022 and 2023, followed by £62M each year thereafter up to 31 March 2031 subject to an assessment carried out each 31 March to determine the deficit on the pre-agreed basis.

If this deficit is lower than the expected deficit, the contribution is reduced by an amount equal to the difference between the deficit on the pre-agreed basis and the expected deficit. If the actual deficit is greater than the expected deficit at a valuation date, an additional contribution ("VaR contribution") falls due. The VaR contribution is calculated as the difference between the actual deficit and expected deficit, divided by the number of remaining years of the Recovery Plan.

At 31 March 2023, the actual deficit was £475.3M, and the Expected Deficit was £551M. Therefore, a reduced contribution of £5.3M fell due in 2023 (£81M – (£551M - £475.3M)).

5. Transfers in

	2024 £000	2023 £000
Individual transfers in from other schemes	**102**	305

6. Other income

	2024 £000	2023 £000
Compensation	**-**	2

Notes to the Financial Statements

7. Benefits paid or payable

	2024 £000	2023 £000
Pensions	**160,258**	154,238
Commutations and lump sum retirement benefits	**29,269**	25,951
Lump sum death benefits	**651**	16
Taxation where lifetime or annual allowance exceeded	**-**	739
	190,178	180,944

8. Payments to and on account of leavers

	2024 £000	2023 £000
Individual transfer values paid to other schemes	**3,376**	8,770

9. Administrative expenses

	2024 £000	2023 £000
Actuarial fees	**1,708**	1,391
Administration fees	**5,746**	5,968
Audit fees	**143**	99
Legal & other professional fees	**2,740**	1,959
Scheme levies	**219**	240
	10,556	9,657

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 27.

Included within Administration fees is a £1.2m (2023: £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 (2023: £1,200m).

Notes to the Financial Statements

10. Interest payable

	2024 £000	2023 £000
Interest payable to the Employer	**7,426**	414

Interest payable to the Employer is in respect of a £300m temporary liquidity facility support agreement between the Employer and the Trustee. 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.

In addition, interest was payable on a loan from AXA Insurance UK plc arranged in February 2023 with interest paid at a rate of 2% + SONIA. This loan was fully repaid in March 2024.

11. Investment income

	2024 £000	2023 £000
Bonds	**62,679**	65,955
Pooled investment vehicles	**74,910**	79,441
Net derivative income	**23,807**	(254,078)
Income from special purpose vehicle	**7,214**	7,598
Net rents from properties	**593**	965
Interest on cash deposits	**5,179**	7,459
Annuity income	**73**	108
Foreign exchange (loss)/gain	**(3,341)**	5,926
Other investment income	**1,093**	-
	172,207	(86,626)

Other investment income is in respect of the recovery of the historic overseas tax previously suffered on prior year’s dividend income.

Notes to the Financial Statements

12. Reconciliation of investments

	Value at 1 April 2023 £000	Purchases at cost & derivative payments £000	Sales proceeds & derivative receipts £000	Change in market value £000	Value at 31 March 2024 £000
Bonds	1,695,560	**967,279**	**(974,607)**	**(72,600)**	**1,615,632**
Pooled investment vehicles	1,860,483	**2,340,689**	**(2,461,790)**	**(20,143)**	**1,719,239**
Derivatives	(482,140)	**12,668,137**	**(12,613,895)**	**(77,212)**	**(505,110)**
Property	43,725	**785**	**(34,545)**	**3,222**	**13,187**
Special purpose vehicle	216,000	**-**	**(15,005)**	**6,005**	**207,000**
Longevity swaps	(83,395)	**-**	**-**	**(7,973)**	**(91,368)**
Equities	325	**-**	**-**	**-**	**325**
Insurance policies	50	**-**	**(70)**	**20**	**-**
AVC investments	2,623	**102**	**(369)**	**112**	**2,468**
	3,253,231	**15,976,992**	**(16,100,281)**	**(168,569)**	**2,961,373**
Cash	764,038				**677,893**
Amounts due under repurchase agreements	(528)				**-**
Other investment balances	20,417				**83,765**
	4,037,158				**3,723,031**

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.

Included in the value as at 1 April 2023 was £68k and £50k in pooled investment vehicles and insurance policies respectively that related to the DC section as shown in note 33.

In March 2024, along with £495m that was transferred in cash, the bonds and swaps were novated from BlackRock to AXAIM as part of the change in the LDI Manager. The majority of the other movements in pooled investment vehicles related to movement in and out of cash funds.

13. Investment management expenses

	2024 £000	2023 £000
Administration, management and custody	**4,376**	7,937
Longevity swap payments	**16,413**	14,806
Other investment management expenses	**869**	443
	21,658	23,186

Notes to the Financial Statements

14. 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:

	2024		2023	
	£000	**%**	**£000**	**%**
Institutional Cash Series Pooled Fund	**485,106**	**12.9**	422,842	10.4
AXA UK Long Lease Property Unit Trust	**301,101**	**8.0**	317,378	7.8
Alternative Credit Fund - CVI Aiguille Verte	**182,198**	**4.9**	227,627	5.6

15. 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.

16. Pooled investment vehicles

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

	2024 £000	2023 £000
Alternative credit fund	**567,226**	678,531
Specialist credit funds	**314,848**	371,935
Equity funds	**53**	52
Diversified growth funds	**-**	68
Property funds	**347,883**	381,374
Private equity funds	**1,238**	1,563
Cash funds	**485,106**	422,843
Mezzanine debt funds	**810**	2,244
Unit linked insurance policies	**2,075**	1,873
	1,719,239	1,860,483

The diversified growth funds related to the DC section as described in note 33.

Notes to the Financial Statements

17. 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:

	2024 Assets £000	2024 Liabilities £000	2023 Assets £000	2023 Liabilities £000
Exchange Traded:				
Futures	**-**	**-**	-	(3,200)
Over the Counter (OTC):				
Swaps	**36,369**	**(536,631)**	116,022	(631,421)
Forward FX contracts	**4,753**	**(9,601)**	38,887	(2,428)
	41,122	**(546,232)**	154,909	(637,049)

(i) Swaps

Number of contracts	Expiration	Nature	Notional principal £000	Aggregate asset £000	Aggregate liability £000
49	Aug 2025 – Feb 2074	Inflation rate	**1,523,457**	**16,851**	**(15,029)**
144	Nov 2024 – Feb 2073	Interest rate	**2,904,194**	**19,518**	**(521,602)**
				36,369	**(536,631)**

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

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

	2024 £000	2023 £000
Collateral received		
Government bonds and cash	**22,371**	53,568
Collateral pledged		
Government bonds and cash	**587,349**	763,769

Notes to the Financial Statements

17. Derivatives (continued)

(ii) Forward foreign exchange

Number of contracts	Settlement date	Currency bought '000	Currency sold '000	Asset £000	Liability £000
1	23/05/2024	GBP 34,669	EUR 40,450	26	-
2	15/05/2024	GBP 103,061	EUR 120,000	318	-
2	20/06/2024	GBP 96,796	EUR 112,568	289	-
2	15/05/2024	GBP 315,647	USD 400,000	-	(922)
3	20/06/2024	GBP 429,751	USD 544,661	-	(1,222)
5	15/05/2024	GBP 227,948	EUR 265,302	801	-
6	15/05/2024	EUR 265,302	GBP 227,848	-	(701)
4	17/04/2024	GBP 473,277	USD 606,448	-	(6,756)
4	17/04/2024	USD 606,448	GBP 478,693	1,340	-
5	15/05/2024	GBP 268,901	USD 338,213	1,232	-
5	15/05/2024	USD 338,213	GBP 266,923	747	-
				4,753	(9,601)

18. Longevity swaps

The Scheme also has three longevity swaps which were valued at -£56.2m, -£31.5m and -£3.7m respectively as at 31 March 2024 (2023: - £50.1m, -£28.9m and -£4.3m).

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.

The collateral on these swaps is as follows:

Longevity swap collateral required at 31 March 2024	Experience collateral £000	Fee collateral £000	Total collateral £000
2015 Longevity swap (Lantern)	45,684	60,757	106,441
2019 Longevity swap (Greenland) [1]	1,109	14,259	15,368
2020 Longevity swap (Methuselah) [2]	-	-	-
	46,793	**75,016**	**121,809**

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**

[1] As at 31 March 2024 the reinsurer (Swiss Re) was required to post £1,108,998 (2023: £2,053,000) 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 2024 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.

Notes to the Financial Statements

19. Special Purpose Vehicle (SPV)

The Asset Backed Arrangement investment totalling £207 million (2023: £216 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 £22.2 million on 31 March 2024 (2023: £21.6 million), the interest element of £7.2 million (2023: £7.6 million) is included in investment income in note 11, and the capital element of £15.0 million (2023: £14.0 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 2024 the discount rate assumption used was gilt yields plus an aggregate risk premium of 2.03% (2023: 2.36%). The aggregate risk premium can be further broken down as:

- Credit Risk Premium: 0.59% (2023: 0.82%)
- Market Illiquidity Premium: 0.40% (2023: 0.50%)
- Additional Illiquidity Premium: 1.04% (2023: 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.

20. Repurchase agreements

As at 31 March 2024, the Scheme held no exposure to repurchase agreements (2023 – amounts repayable of £528,000).

Where the Scheme had entered into repurchase agreements using its UK government fixed/index linked securities as the underlying security, the Scheme retained the entitlement to receive income accruing on these securities and had a contractual agreement to repurchase the securities at a specified future date.

The securities sold under repurchase agreements are included in the financial statements as assets of the Scheme at a market value of £nil (2023: £1,664,585).

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 2024 this amounted to £nil (2023: £528,358) including £nil (2023: £144,249) of accrued interest.

At 31 March 2024 there was bond collateral pledged of £nil (2023: £976,667) against the difference in valuation between the underlying securities and the repurchase agreements.

Notes to the Financial Statements

21. 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:

	2024 £000	**2023 £000**
Aviva	**528**	469
ReAssure Life	**1,940**	2,154
	2,468	2,623

22. 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

22. Fair value determination (continued)

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

As at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Bonds	**-**	**1,589,662**	**25,970**	**1,615,632**
Pooled investment vehicles	**-**	**1,367,450**	**351,789**	**1,719,239**
Derivatives	**-**	**(505,110)**	**-**	**(505,110)**
Property	**-**	**-**	**13,187**	**13,187**
Special purpose vehicle	**-**	**-**	**207,000**	**207,000**
Longevity swaps	**-**	**-**	**(91,368)**	**(91,368)**
Equities	**-**	**325**	**-**	**325**
AVC investments	**-**	**-**	**2,468**	**2,468**
Cash	**677,893**	**-**	**-**	**677,893**
Other investment balances	**83,765**	**-**	**-**	**83,765**
	761,658	**2,452,327**	**509,046**	**3,723,031**

As at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Bonds	-	1,669,241	26,319	1,695,560
Pooled investment vehicles	-	1,474,433	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)
Insurance policies	-	-	50	50
Other investment balances	20,417	-	-	20,417
	784,455	2,661,331	591,372	4,037,158

Notes to the Financial Statements

23. 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.

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			2024	2023
		Currency	Interest rate	Other price	Value £000	Value £000 (As re-stated)
Bonds	■	◘	■	□	**1,615,632**	1,695,560
Property	◘	◘	□	■	**13,187**	43,725
Pooled investment vehicles:					**1,719,239**	1,860,483
Direct	■	◘	◘	◘		
Indirect	◘	◘	◘	◘		
Derivatives	◘	◘	◘	◘	**(505,110)**	(482,140)
Other investments	■	□	■	□	**115,957**	132,402
AVC investments	■	□	□	■	**2,468**	2,623
Insurance policies	■	■	■	■	**-**	50
Cash deposits and other net investment assets	■	◘	□	□	**761,658**	784,455
Total					**3,723,031**	4,037,158

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.

Notes to the Financial Statements

23. Investment risk disclosures (continued)

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 current strategy is to hold:

- 45% (2023: 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.
- 25% (2023: 31%) in liquid and semi-liquid credit strategies, which are comprised of corporate bonds, asset backed securities and European Leveraged Loans.
- 30% (2023: 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

23. 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:

	2024 £000	2023 £000
Shares of limited liability partnerships	**1,719,038**	1,860,415
Open-ended investment company	**-**	68
	1,719,038	1,860,483

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 55. 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 55. 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 30.9% of the total investment portfolio (2023: 31.21%).

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held properties, hedge funds, private equity and investment properties as detailed on page 55. At the year end the return seeking assets represented 23.2% of the total investment portfolio (2023: 25%).

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

24. Current assets

	2024 £000	2023 £000
Bank interest	**13**	5
Cash deposits held with the Scheme Administrator	**24,291**	26,973
	24,304	26,978

Notes to the Financial Statements

25. Current liabilities

	2024 £000	2023 £000
Unpaid benefits	**743**	581
Taxation	**2,578**	2,429
Administration expenses payable	**1,830**	1,284
Investment management expenses payable	**6,249**	6,242
Other	**69**	69
	11,469	10,605

26. Creditors due over one year

	2024 £000	2023 £000
Loan from AXA Insurance UK plc	**-**	95,803

A £100m fixed term amortising loan from AXA Insurance UK plc, arranged in February 2023, was fully repaid by the Scheme in March 2024.

27. 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 2024 and invoiced to the Scheme was £9.7m for administration expenses (2023: £9.7m) and £0.8m for other investment expenses (2023: £0.4m).

Included within the administration expenses are fees totalling £103,155 (2023: £106,961) which were paid to Law Debenture, £139,020 (2023: £159,455) to Zedra Governance Limited and £3,476 (2023: £171,831) to Ross Trustees Services Limited for their trustee services for the year ended 31 March 2024.

Also included within the administration expenses are AXA in-house staff costs totalling £1,402,788 (2023: £1,267,877).

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

27. Related party transactions (continued)

No investment managers, other than AXA Investment Managers UK Limited, AXA UK Group Pension Scheme Management 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 was £1,022,549 (2023: £849,357). At the year-end an amount of £270,500 (2023: £130,676) was owed to the Principal Employer and 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 (2023: £1,200m). The Scheme paid a premium of £1.2m (2023: £2.4m) for the protection provided by the guarantee.

The Scheme has an interest in the AXA Scottish Limited Partnership as referred to in note 19. Further details are also set out in the Trustee's Report on page 6. 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 £100m loan from AXA Insurance UK plc arranged in February 2023 was fully repaid in March 2024 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 2024 was £7.4m and is disclosed in note 10.

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.

28. 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

29. Contingencies and commitments

At 31 March 2024, the Scheme had the following financial commitments:

- Infrastructure AXA IM of £7.1m (2023: £6.3m)
- Real Estate Debt Alliance Bernstein of £Nil (2023: £Nil)
- Real Estate Debt AXA IM of £Nil (2023: £Nil)
- Long Lease AXA IM of £16m (2023: £16m)
- Alternative Credit Fund (ACF) AXA IM of £66m (2023: £103m);

The Scheme does not have any contingent liabilities that are unapproved at 31 March 2024 (2023: £Nil) other than the payment of future benefits under the Scheme Rules.

Virgin Media Ltd v NTL Pension Trustees II Section 37 Legal Ruling

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying that may retrospectively validate certain rule amendments.

Given these uncertainties it is not currently possible to determine with certainty whether any amendments relevant to the AXA Scheme would be found to be incompatible with section 37 of the Pension Schemes Act 1993 requirements. Further, it is not currently possible to estimate any potential retrospective impact on the AXA Scheme if any amendments were not made in accordance with section 37 of the Pension Schemes Act 1993 requirements. Having considered the matter, the Trustee has determined that there is no immediate need for action, but the Trustee will monitor developments.

30. 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.

Notes to the Financial Statements

31. Transfers between sections

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Transfer of benefits from DC to DB	**138**	**(138)**	**-**	94	(94)	-
	138	**(138)**	**-**	94	(94)	-

The transfer between sections relates to monies received from Aegon and Aviva in respect of DC members benefits which have been disinvested and used to set up a DB pension.

32. 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 (2023: £0.3m), which has been disclosed within the equities value in note 12. At the year-end the aggregate amount of net assets, which consisted of cash, within the subsidiaries was £0.5m (2023: £0.4m).

33. Defined contribution section

The DC section closed on 30 September 2020 with members transferred to a Master Trust arrangement held with LifeSight, the remaining DC assets were transferred to the DB section in the year.

These financial statements for the year ended 31 March 2024 (including comparatives) are presented on a consolidated basis for the Scheme. The following tables disclose the amounts attributable to the Defined Contribution Section of the Scheme as included in these financial statements:

Fund Account for the year ended 31 March 2024

	Note	2024 £000	2023 £000
Returns on investments			
Change in market value of investments		**20**	(27)
Net returns on investments		**20**	(27)
Net increase / (decrease) in the fund		**20**	(27)
Transfers between sections	31	**(138)**	(94)
Net assets at 1 April		**118**	239
Net assets at 31 March		**-**	118

33. Defined contribution section (continued)

Statement of Net Assets available for Benefits as at 31 March 2024

	2024 £000	2023 £000
Investment assets:		
Pooled investment vehicles	-	68
Insurance policies	-	50
Total net investments	-	118
Total net assets at 31 March	-	118

Reconciliation of investments

	Value at 1 April 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2024 £000
Pooled investment vehicles	68	-	**(68)**	-	-
Insurance policies	50	-	**(70)**	**20**	-
	118	-	**(138)**	**20**	-

The Defined Contribution Sections' assets of £nil (2023: £118,000) were wholly designated to members as at 31 March 2024.