PROVIDENT FINANCIAL STAFF PENSION SCHEME

Registered number: 10119828

Annual report for the year ended 31 May 2023

Annual report for the year ended 31 May 2023

CONTENTS **PAGE**

Trustees and advisers to the Scheme

Registration Number:	10119828
Trustees:	K J Mullen (Chairman) R J Glen * R G Pye E Shepherd S Smith * D H Stevenson * - term of office ended 12 June 2023 V Turner (Resigned 16 September 2022) S B Wilkie * Member-Nominated Trustees
Secretary:	S S Nimmo
Principal Employer: ("The Company")	Vanquis Banking Group plc No.1 Godwin Street Bradford BD1 2SU
Professional advisers:	
Administration Services:	Vanquis Banking Group plc
Actuaries and Consultants:	Willis Towers Watson Limited, Leeds
Auditor:	Crowe UK LLP, Manchester
Bankers:	Barclays Bank PLC, Bradford
Investment Adviser	Aon Solutions UK Limited, London
Scheme Actuary:	Richard Lawson FIA, Willis Towers Watson Limited
Solicitors:	Herbert Smith Freehills LLP, London
Investment managers:	Legal & General Assurance (Pensions Management) Limited, London PIMCO Global Advisors (Ireland) Limited, Dublin Insight Investment Management (Global) Limited Robeco Institutional Asset Management Aon Solutions UK Limited, London
Additional voluntary contribution providers:	Aviva UK Life and Pensions Ltd Aegon (formerly Scottish Equitable plc) Utmost Life and Pensions Ltd Royal London Mutual Insurance Society Ltd

Report of the Trustees to the members of the Provident Financial Staff Pension Scheme

Introduction

The Trustees present their report to members for the year ended 31 May 2023. The Trustees confirm that the financial statements for the year ended 31 May 2023 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The Scheme provides benefits for the qualifying staff of Provident Financial plc ("the Company") and certain of its subsidiary companies. It is established under, and governed by, a trust deed and rules dated 14 April 1960, and subsequent amendments. In accordance with the provisions of schedule 36 of the Finance Act 2005, the Scheme became a registered pension Scheme under chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006. The final salary section of the Scheme was contracted out under the provisions of the Pensions Act 1993. The Scheme is a Qualifying Scheme under the Auto-Enrolment provisions of the Pensions Act 2008.

The Scheme is administered by Trustees who are responsible for the affairs of the Scheme. There are currently eight Trustees who are appointed and removed by the Company. Appointment is effected by deed, removal by the giving of seven days' written notice. The procedure for the appointment of Trustees is in accordance with the Member-Nominated Trustee regulations of the Pensions Act 2004.

During the Scheme year there were four full Trustees' meetings. The Trustees' administration committee did not meet in the year but exchanged a number of emails in order to discuss and determine, amongst other things, early retirement and ill-health early retirement matters and the distribution of death benefits.

Statement of Trustees' responsibilities

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

Statement of Trustees' responsibilities (continued)

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

The Trustees are responsible for the maintenance and integrity of the financial information of the Scheme included on the Scheme's website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Membership

The Scheme was closed to new employees who joined Provident Financial plc and certain of its subsidiary companies on or after 1 January 2003. The changes in membership are summarised below:

		Number
Participating staff:		
	Membership at 1 June 2022	0
	Retirements during the year	0
	Members leaving during the year	(0)
	Deaths	(0)
	Membership at 31 May 2023	**0**
Deferred pensioners:		
	Membership at 1 June 2022	2,947
	Members transferring benefits	(13)
	Pensions into payment/finalised	(101)
	Commuted pensions	(8)
	Deaths	(4)
	Membership at 31 May 2023	**2,821**
Pensioners:		
	Pensioners at 1 June 2022	2,896
	New pensioners during the year	161
	Suspended pensions	(6)
	Commutations	(14)
	Deaths	(87)
	Pensioners at 31 May 2023	**2,950**

Note: The above pensioners are those paid directly by the Scheme. At 31 May 2023 there were 165 (2022:192) pensions paid through annuities purchased with Legal & General. The income and expenditure represented by the pension payments is recognised in the financial statements.

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

Going concern

The Trustees are responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis.

In December 2021 the Trustees entered into a Flexible Apportionment Arrangement (FAA) with the employer so that there is a sole statutory employer which has principal liability for all of the Scheme liabilities. Prior to entering the FAA the Trustees undertook a covenant assessment review and it was agreed that the FAA would lead to an overall improvement in the Scheme's covenant.

The Trustees believe it remains appropriate to prepare the financial statements on a going concern basis.

Contributions

In accordance with the rules of the Scheme, contributions are received from both members and employers.
The members' contribution rates up to 31st August 2021 were 5% of pensionable earnings and the employer paid contributions of 17.4% up to October 2019 and 19.3% thereafter.

Members' contributions during the Scheme year were paid via a salary sacrifice arrangement unless the member had opted out of that arrangement.

Following consultation with the active members the Cash Balance section was closed on 31st August 2021. Any active members were moved to the VBG Retirement Plan from 1st September 2021.

Benefits

In accordance with the rules of the Scheme, pensioners received the usual increase of 5% on the part of their pension which is in excess of their Guaranteed Minimum Pension in respect of pre-1 January 2000 pensionable service. Inflation measured as the annual increase in the RPI for the year to September 2022 was 12.64% and the increase awarded on that part of their pension in respect of post 1 January 2000 pensionable service was also 5%.

Deferred pensioners who left service after 1 June 1985 have the amount of their deferred pension which is in excess of their Guaranteed Minimum Pension revalued in line with the Occupational Pensions (Revaluation) Orders. This is also in accordance with the rules of the Scheme. No discretionary increases were awarded during the year.

Tax Status

The Scheme was approved by the Inland Revenue as an exempt approved scheme under the Finance Act 1970 and from April 2006 became a registered Scheme under the terms of the Finance Act 2004.

Cash Balance section

From 31 December 2012 the members of the Final Salary section transferred to the Cash Balance section and all Final Salary benefits of members of both sections ceased to be linked to Final Pensionable Earnings from the same date. All members' Final Salary benefits were calculated as at 31 December 2012 and revalued thereafter on the statutory basis.

Following consultation with the active members the Cash Balance section was closed on 31st August 2021. Any active members were moved to the VBG Retirement Plan from 1st September 2021.

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

Cash equivalents
All transfer values paid in the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993. These payments were "cash equivalents" as defined by, and required to be so calculated under, the legislation. Transfer values do not take into account any future discretionary increases in pensions in payment in accordance with actuarial advice.

Investment managers
The Trustees have delegated the management of the Scheme's investments and the members' additional voluntary contributions (AVC) funds to the managers and providers listed on page 1. The Trustees are not involved in any day to day investment decisions relating to the Legal & General or PIMCO managed fund contracts or the AVC contracts.

Investment charges for Legal & General are payable quarterly at rates ranging between 0.03% and 0.45% per annum on the average offer value of the Scheme's holding in the Legal & General managed funds. Investment charges for Standard Life were deducted from the unit prices at rates ranging between 0.75% and 0.84% per annum on the average offer value of the Scheme's holding in the Standard Life managed funds. Investment charges for PIMCO are deducted from the unit prices at 0.55% per annum on the average offer value of the Scheme's holding in the PIMCO managed funds.

At 31 May 2023, the investments at bid values, except for PIMCO that uses Net Asset Value pricing, excluding the annuity policies comprised:

	£	£	%
Legal & General	354,916,487.48		
PIMCO	47,936,867.75		
Aon	25,601,720.32		
Insight	27,983,632.88		
Robeco	25,590,059.00		
		482,028,767.43	**99.8**
AVC funds:			
Aviva	844,212.62		
Utmost	16,399.48		
Aegon	18,519.09	**879,131.19**	
			0.2
		482,907,898.62	**100.0**

Investment of the Scheme's assets is made in accordance with the Occupational Pension Schemes (Investments of Scheme's Resources) Regulations 1992.

Investment strategy

The Trustees take advice on investment strategy from Aon Solutions UK Limited.

Investment principles

The Trustees have adopted a Statement of Investment Principles as required by section 35 of the Pensions Act 1995. A copy of this statement may be obtained on request from the Secretary to the Trustees at the address shown on page 1.

Employer-related investments

The Scheme had no direct employer-related investments at any time during the year. Shares in Vanquis Banking Group are held indirectly within the Legal & General Equity Index Fund. However, this is less than 1% of the total Scheme assets (2022: less than 1%). No shares in Provident Financial plc are held within the PIMCO Low Duration Income Fund.

Investment performance

The time-weighted investment performance of the Legal & General assets during the year for each of the Legal & General portfolios was -0.31% (equity portfolio) and -40.59% (bond portfolio).

The time-weighted investment performance of the PIMCO assets during the year was 2.07%.

The time-weighted investment performance of the Insight assets during the year was -0.90%.

The time-weighted investment performance of the Robeco assets during the year was 0.19%.

The time-weighted investment performance of the AIL assets during the year was 0.7%.

The Scheme's investments (excluding annuity policies and AVCs) amounting to £482,028,767.43 (2022: £694,701,328.60) were invested in managed funds in the United Kingdom and overseas. The investments are freely marketable and the security of the investment is indicated by the fact that the managers of the fund control assets in excess of £1bn invested in a wide variety of UK and foreign equities, gilts and property. An analysis of investments is set out in note 9 to the financial statements.

Actuarial position

The latest actuarial valuation as at 1 June 2021 was completed and signed by the Scheme actuary on 30 June 2022. The Actuary's Certification of Technical Provisions is shown on page 36 The latest valuation showed a valuation surplus of £33.7m (2018 deficit of £29.8m) in respect of the value of benefits for past service.

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

Further details of this valuation are set out in the Report on Actuarial Liabilities on page 35 of this report. Within the actuarial valuation an allowance was made of £8.2m for the estimated cost in respect of the consequences of GMP Equalisation brought about by the High Court judgement of 26 October 2018 in relation to Lloyds Bank. No accrual for this cost is included in these financial statements as detailed calculations have not been carried out.

The next actuarial valuation has an effective date of 1 June 2024.

Engagement Policy Implementation Statement ("EPIS")

Provident Financial Staff Pension Scheme (the "Scheme")

Scheme Year End – 31 May 2023

The purpose of the EPIS is for us, the Trustees of the Provident Financial Staff Pension Scheme, to explain what we have done during the year ending 31 May 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme's investments have been followed during the year; and

2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the 'most significant' votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme's material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers, including our fund of funds manager, align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf. However, there are areas where we would like to see additional details in future years, as set out in our engagement action plan.

We will continue to meet with our investment managers at regular trustee meetings to hear about their approach to ESG and engage on stewardship issues.

How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with our policy. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environmental Social Governance ("ESG") ratings from Aon for the funds the Scheme is invested in where available.

We meet with the Scheme's investment managers on a regular basis and receive updates on performance, strategic positioning and stewardship. During the year, we received updates from Legal and General Investment Management ("LGIM"), Aon, PIMCO and Insight at trustee meetings, including updates on how these managers integrate ESG into their investment strategies.

The Scheme's stewardship policy can be found in the SIP: https://www.pfpensions.co.uk/cash-balance/documents-and-forms

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. While LGIM provided a comprehensive list of fund-level engagements, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard. Our investment adviser, Aon, will liaise with LGIM to better understand their engagement practices and discuss the areas which are behind those of its peers.

2. We will continue to invite our investment managers to Trustee meetings on a rolling basis, to engage with them on Stewardship issues and hear what they are doing in practice.

Our Fund of Funds manager's engagement activity

We invest some of the Scheme's assets in Aon's Global Impact Equity Strategy. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf. We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 30 June 2023. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 30 June 2023 which broadly matches the Scheme year of 31 May 2023.

	Number of resolutions eligible to vote on	**% of resolutions voted**	**% of votes against management**	**% of votes abstained from**
LGIM – SciBeta Multi-Factor Dev Equity Index	12,513	99.9%	21.0%	0.2%
Nordea Asset Management – Global Climate and Environmental Fund*	850	100.0%	5.4%	0.2%
Mirova - Global Sustainable Equity Fund*	715	100.0%	44.0%	0.0%

*Source: Managers *Held within the Aon Global Impact Equity Fund.*

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's material managers use proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting adviser(s) *(in the managers' own words)*
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services, Inc. ("ISS")'s 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
Nordea Asset Management	In general, every vote we cast is considered individually on the background of our bespoke voting policy, which we have developed in-house based on our own principles. Our proxy voting is supported by two external vendors (ISS and Nordic Investor Services "NIS") to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors have merged.
Mirova	Mirova utilizes ISS as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendations are not prescriptive or determinative to our voting decision.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's material investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix to this statement.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., it is not necessarily specific to the funds invested in by the Scheme.

Funds	**Number of engagements**		**Themes engaged on at a fund-level**
	Fund specific	**Firm level**	
Nordea Asset Management – Global Climate and Environmental Fund	36	994	Environment - Pollution, Waste, Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying) Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose
Mirova - Global Sustainable Equity Fund	33	115	Environment - Climate change, Pollution, Waste Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting)
Insight - Short Dated Buy And Maintain Fund	130	948	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Human capital management (e.g., inclusion & diversity, employee terms, safety), Human and labour rights (e.g., supply chain rights, community relations) Governance - Board effectiveness - Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Strategy/purpose
LGIM - Global Developed Four Factor Scientific Beta Index	363	1,224	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g., audit, accounting, sustainability reporting) Strategy, Financial and Reporting - Strategy/purpose, and others.
LGIM - Buy & Maintain Credit	157	1,224	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity)

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
			Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration Strategy, Financial and Reporting - Strategy/purpose, and others.
Robeco - Global Credits Short Maturity	23	252	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Human capital management (e.g., inclusion & diversity, employee terms, safety), Human and labour rights (e.g., supply chain rights, community relations) Governance – Remuneration
PIMCO - Low Duration Income Fund	80	1,370	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g., supply chain rights, community relations) Governance - Board effectiveness – Diversity, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Financial performance

Source: Managers. The following managers did not provide fund level themes; themes provided are at a firm-level:
• Insight
• PIMCO

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information but not in the industry standard ICSWG template.

This report does not include commentary on the Scheme's liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - SciBeta Multi-Factor Dev Equity Index	**Company name**	The Kroger Co.
	Date of vote	23 June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.6%
	Summary of the resolution	Elect Director W. Rodney McMullen
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an annual general meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.
	Outcome of the vote	Pass
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.
Nordea - Global Climate and Environment Fund	**Company name**	Glodon Co Ltd
	Date of vote	25 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9%
	Summary of the resolution	Elect Chai Mingang as Director
	How you voted	Against Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes. We have engaged companies with 0% females on the Board and informed them that we intend to vote against if we do not receive relevant explanation.
	Rationale for the voting decision	There are 0% females on the board and there is no Chair of the Nomination Committee, so we voted against the member of the Nomination Committee to express our concern.
	Outcome of the vote	For
	Implications of the outcome e.g., were there any lessons learned and	We will continue to vote against Chairman of the nomination committee in companies with zero females on the Board.

	what likely future steps will you take in response to the outcome?	
	On which criteria have you assessed this vote to be "most significant"?	Significant votes are those that are severely against our principles, and where we feel we need to enact change in the company.
Mirova - Global Sustainable Equity Fund	**Company name**	Legal & General Group Plc
	Date of vote	18 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.6%
	Summary of the resolution	Say on Climate
	How you voted	Supported Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	On balance, the company's climate transition plan is sufficiently robust to warrant a vote FOR at this stage. The investment policy is aligned with +1.5°C trajectory. Targets are set for the short, medium, and long-term and covers all scopes.
	Outcome of the vote	Pass
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	Mirova's main criticism is that we would have preferred the inclusion of sovereigns. Indeed, while L&G allegedly excludes sovereigns due to lack of clear industry GHG methodologies to account for this asset class, Mirova disagrees with this rationale: methodologies do exist, rather the issue stems from most governments not taking their climate commitments seriously.
	On which criteria have you assessed this vote to be "most significant"?	Relevant to engagement strategy

Source: Managers

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

Further information

All members have received an explanatory booklet detailing the benefits and contributions applicable to the Scheme. Details of the Scheme are also available on the pensions website at www.pfpensions.co.uk

Requests for further information about the Scheme and enquiries about an individual's entitlement to benefits should be sent to the Secretary to the Trustees, Provident Financial Staff Pension Scheme, No.1 Godwin Street, Bradford BD1 2SU or via pensionenquiries@vanquisbankinggroup.com.

The Report of the Trustees including the Report on Actuarial Liabilities on page 35 and the Investment Reports on pages 40 to 41 were approved by the Trustees and signed on behalf of the Trustees by:

K J M[redacted] Trustees 11 December 2023

S B W[redacted]

Independent Auditor's Report to the Trustees of Provident Financial Staff Pension Scheme

Opinion

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

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 May 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 Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Non-receipt of contributions due to the Scheme from the employer. This is addressed by testing contributions due are paid to the Scheme in accordance with the Schedule of Contributions agreed between the employer and Trustees.
- Payment of large transfers out to invalid schemes or members. This is addressed through testing that there is evidence the receiving scheme is valid, the member identity is verified and of the authorisation of the amount and approval of the payment of the transactions.

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

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

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

Use of our report

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

[redacted]

Crowe U.K. LLP
Statutory Auditor
Manchester

19 December 2023

Basis of preparation and identification of financial statements

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

The Scheme has been established as a trust, subject to English law. All enquiries should be sent to the address listed on page 1.

Accounting policies

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

Going concern
As stated in the Statement of Trustees' responsibilities the Trustees are responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis.

In December 2021 the Trustees entered into a Flexible Apportionment Arrangement (FAA) with the employer so that there is now a sole statutory employer which has principal liability for all of the Scheme liabilities. Prior to entering into the FAA the Trustees undertook a covenant assessment review and it was agreed that the FAA would lead to an overall improvement in the Scheme's covenant.

The Trustees therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Contributions
Employer deficit funding contributions are accounted for on the due dates on which they are paid under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.

Expense contributions are made by the Employer to reimburse costs and levies are accounting for in accordance with the Schedule of Contributions.

Benefits and payments to and on account of leavers
Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Payments to and on account of leavers
Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

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

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

Income from cash and short-term deposits is accounted for in these financial statements on an accruals basis. All investment income is stated inclusive of any related recoverable taxation but net of any irrecoverable tax, including overseas withholding taxes and the costs of collection.

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

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

Transactions costs
Transactions costs are included in the cost of purchases and sale proceeds. Transaction costs are charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

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

Investments
Investments are included at fair value as described below:

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

Annuity (insurance) policies purchased in the name of the Scheme and which provide benefits to members have been valued by the Scheme Actuary at the present value of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

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

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

Significant Judgements & Estimates
Other than annuities outlined above, the Trustees do not consider there to be any significant material judgements or accounting estimates.

Fund account for the year ended 31 May 2023

	Note	2023 £000's	2022 £000's
Contributions and benefits			
Contributions receivable – Employer Normal	1	-	158
Contributions receivable - Employer Smart	1	-	40
Contributions receivable - Employer Deficit Funding	1	250	3,000
Contributions receivable – Employer Expenses	1	810	480
Contributions receivable – Member	1	-	1
Contributions receivable - AVCs	1	-	4
Contributions receivable – PPF Levies	1	54	15
Other income	2	3	3
		1,117	3,700
Benefits paid or payable	3	22,705	22,007
Payments to and on account of leavers	4	4,812	10,047
PPF Levies	5	54	15
Other payments	5	-	-
Administrative expenses	6	1,273	1,224
		28,844	33,294
Net withdrawals from dealings with members		(27,727)	(29,593)
Returns on investments			
Investment income	7	1,351	1,566
Investment management expenses	8	(358)	(754)
Change in market value of investments	9	(187,289)	(142,817)
		(186,295)	(142,004)
Net increase/(decrease) in fund during the year		(214,002)	(171,597)
Net assets of the Scheme at beginning of year		706,176	877,774
Net assets of the Scheme at 31 May 2023		492,153	706,176

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

Statement of net assets (available for benefits) at 31 May 2023

	Note	2023 £000's	2022 £000's
Investment assets			
Pooled investment vehicles	9	482,029	694,458
Annuity policies	9	8,000	10,600
AVC investments	9	879	906
Current assets	10	2,271	1,781
Current liabilities	10	(1,026)	(1,569)
Net assets of the Scheme at 31 May 2023		492,153	706,176

These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme which does take account of such liabilities is dealt with in the statements by the Actuary on pages 36 and 39 of this Annual Report and the Report on Actuarial Liabilities on page 35, which should be read in conjunction with these financial statements.

These financial statements were approved by the Trustees and signed, on 11 December 2023, on their behalf by:

[redacted]J Mullen

B Wilkie

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

Notes to the financial statements for the year ended 31 May 2023

	2023 £000's	2022 £000's
1 Contributions receivable		
Employers' contributions		
Normal	-	158
Smart	-	40
Deficit	250	3,000
Additional		
Expense contributions	810	480
Members' contributions		
Normal	-	1
Additional voluntary contributions	-	3
PPF Levies	54	15
	1,114	3,697

Deficit funding contributions became payable at the rate of £250,000 per month from 1 November 2019 in accordance with the Schedule of Contributions signed 23 October 2019 and these ceased with effect from 30 June 2022 following completion of the 2021 Valuation.
The current Schedule of Contributions covers the period 30 June 2022 to 30 June 2027 and states Expense contributions of £70,000 per month and nil Deficit contributions.

2 Other income	2023 £000's	2022 £000's
Sundry income	3	3

3 Benefits paid or payable	2023 £000's	2022 £000's
Pensions	19,456	18,645
Commutations and lump sum retirement benefits	2,502	2,446
Purchase of annuities	633	870
Lump sum death benefits	114	46
	22,705	22,007

4 Payments to and on account of leavers	2023 £000's	2023 £000's
Individual transfers out to other schemes	4,753	9,907
Transfers on divorce	59	140
	4,812	10,047

5 Other payments

	2023 £000's	2022 £000's
PPF Levies	54	15
Sundry payment	-	1
	54	16

6 Administrative expenses

	2023 £000's	2022 £000's
Administration and processing	339	495
Legal fees	44	81
Actuarial fees	769	596
Audit fees	31	23
Employer Covenant Assessment fees	67	-
Trustee fees	22	28
Sundry	1	1
	1,273	1,224

All other costs of administration are borne by Vanquis Banking Group.

7 Investment income

	2023 £000's	2022 £000's
Legal & General annuity income	1,145	1,268
PIMCO dividend income	201	298
Interest on cash deposits	5	-
	1,351	1,566

8 Investment management expenses

	2023 £000's	2022 £000's
Administration, management, and custody	358	754

9 Investment assets

All investments are managed by companies which are registered in the United Kingdom.

The Scheme's pooled investment vehicles are held under managed fund policies in the name of the Trustees. Income generated by these units is not distributed but retained in the market value of the units.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable. There have been no direct transaction costs during the year.

Pooled Investment Vehicles	Market value at 31 May 2022 000's	Purchases 000's	Withdrawals 000's	Change in market value 000's	Market value at 31 May 2023 000's
Legal & General					
Equities	42,942			(18,078)	24,864
Bonds	455,877	43,400	(4,247)	(164,977)	330,052
PIMCO	77,687	5,300	(35,534)	310	47,937
Cash	174				
Aon	42,933		(16,200)	(1,131)	25,602
Insight	36,804		(8,058)	(763)	27,984
Robeco	38,040		(12,408)	(42)	25,590
Pooled Investment Vehicles	**694,458**	**48,700**	**(76,447)**	**(184,681)**	**482,029**
Annuities	10,600			(2,600)	8,000
AVC investments	906		(19)	(8)	879
Total Investments	**705,964**	**48,700**	**(76,265)**	**(187,289)**	**490,908**

Notes to the financial statements for the year ended 31 May 2023 (continued)

9 Investment assets

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

	2023 £000's	2022 £000's
PIMCO Credit	47,937	77,862
Equity	24,864	42,941
Bonds	330,052	455,877
Aon	25,602	42,933
Insight	27,984	36,805
Robeco	25,590	38,040
	482,029	694,458

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

	2023 £000's	2022 £000's
Annuities with Legal and General	8,000	10,600

The Scheme's investments in Additional Voluntary Contributions at the year-end comprised:

	2023 £000's	2022 £000's
AVC policies with Aviva	844	866
AVC policies with Utmost	16	17
AVC policies with Scottish Equitable	19	23
	879	906

10 Current assets and current liabilities

	2023 £000's	2022 £000's
Assets		
Cash at bank and on deposit	1,679	1,563
PPF Levies	-	15
Sundry Debtors	592	203
	2,271	1,781

	2023 £000's	2022 £000's
Liabilities		
Annuities to purchase	509	806
Pensions payable	47	9
Retirement lump sums payable	38	6
Trustee Fees	-	5
Death benefits payable	-	1
Amount due to Legal & General	163	292
Administration	72	123
Trivial Commutations	24	-
Audit fee	26	18
Actuarial/consultancy fee	49	206
Trustees' indemnity insurance	25	25
PAYE	31	35
PPF Levy	42	42
	1,026	1,569

11 Related Party transactions

The administration of the Scheme is undertaken by Vanquis Banking Group plc which recharges the Scheme with a proportion of the costs of administration. The amount recharged during the year was £303,761 (2022: £310,475), plus £26,000 in respect of the salary to Chairman of Trustees both of these amounts are included in administrative expenses in note 6. The amount outstanding at the year-end was £71,380 (2022: £122,718).

Three of the Trustees who served during the year were deferred members of the Scheme in accordance with the Rules of the Scheme. Two Trustees were in receipt of a pension in accordance with the Rules of the Scheme.

12 Types of risk relating to investments

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.

Notes to the financial statements for the year ended 31 May 2023 (continued)

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

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

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

The Trustees determine the investment strategy after taking advice from a professional investment adviser after consulting with the Principal Employer. The Provident Financial Staff Pension Scheme ("the Scheme") has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, 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 Trustees by regular reviews of the investment portfolio.

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

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

		Market risk			**May 2023**	**May 2022**
	Credit risk	Currency risk	Interest rate risk	Other price risk	**(£'000)**	**(£'000)**
Asset Allocation						
Equities	✔	✔	✖	✔	**50,466**	**85,875**
Diversified Credit	✔	✔	✔	✔	**47,937**	**77,687**
Short-Dated Credit	✔	✔	✔	✔	**53,574**	**74,845**
Global Credit	✔	✔	✔	✔	**99,764**[1]	**160,780**[1]
Liability Driven Investment	✔	✖	✔	✔	**230,288**[1]	**295,097**[1]
Cash	✔	✖	✔	✖	**1,679**	**1,563**
Annuities	✔	✖	✔	✔	**8,000**	**10,600**
Total					**491,708**	**706,447**

Source: Investment Managers/Aon. Note: Numbers may not sum due to rounding.

[1] Bid value estimated by Aon, based on breakdown provided by investment manager.

In the table above, the risk noted affects the asset class [✔] or hardly/not at all [✖] as at 31 May 2023.

Investment strategy

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

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

The target strategy (excluding annuities) in place as at 31 May 2023 was to hold:

- 30.0% in Growth assets comprising global equities, diversified credit strategies and short dated credit.
- 70.0% in Matching assets that provide a hedge against the long-term liabilities of the Scheme, comprising liability driven investment funds, global credit and cash.

The actual allocation and target allocation in place as at 31 May 2023, excluding annuities and cash, are shown in the table below:

Asset class	Target allocation %	Actual allocation %
Equities	10.0	10.5
Diversified credit	10.0	9.9
Short-dated credit	10.0	11.1
Global credit	20.0	20.7
Liability driven investment	50.0	47.8

Following the release of the mini budget in the UK on 23 September 2022, UK government bond yields increased at an unprecedented rate. Subsequently, on 28 September 2022, the Bank of England announced unlimited quantitative easing until 14 October 2022 to stabilise the market and provide time for investors to rebalance their portfolios. The severity of market movements during this period resulted in the Scheme's portfolio shifting out of line with its strategic target weights. Action was taken promptly in October 2022 to rebalance the portfolio back towards target weights and replenish collateral levels in the liability driven investment (LDI) portfolio. Investments totalling £77m were made to the LGIM LDI portfolio, funded by disinvestments of: £11m from the LGIM Developed Balanced Factor Equity Fund; £11m from the AIL Global Impact Equity Strategy; £14m from the PIMCO Low Duration Income Fund; £7m from the Insight Short Dated Buy & Maintain Credit Fund, and £34m from the LGIM Global Credit portfolio.

In May 2023, further action was taken to rebalance the portfolio back towards target weights and replenish collateral levels in the LDI portfolio. Investments totalling £27.4m were made to the LGIM LDI portfolio, and an investment of £5.3m was made to the PIMCO Low Duration Income Fund. These investments were funded by disinvestments of: £5.6m from the LGIM Developed Balanced Factor Equity Fund; £5.2m from the AIL Global Impact Equity Strategy; £11.5m from the Robeco Global Credits Short Maturity Fund, and £10.4m from the LGIM Global Credit Portfolio.

As at 31 May 2023, the overall asset allocation was in line with long-term strategic control ranges agreed by the Trustees.

Notes to the financial statements for the year ended 31 May 2023 (continued)

- **Credit risk**

The Scheme is directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Direct credit risk arising from pooled vehicles is mitigated by the underlying assets being ring-fenced from the pooled managers, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry 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 managers.

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

	31 May 2023 Market Value (£000)	**31 May 2022 Market Value (£000)**
Open ended investment company	75,921	114,492
Unit linked insurance policy	354,916	498,819
Investment company with variable capital	51,192	80,973
Total	**482,029**	**694,283**

Source: Investment Managers/Aon. Note: Numbers may not sum due to rounding.

Indirect credit risk predominantly arises in relation to underlying investments held in corporate bonds. This risk is mitigated by investing in a diversified portfolio of high-quality bonds.

Credit risk associated with the Scheme's allocation to annuities is mitigated through the protections provided by the UK insurance regime.

- **Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles (indirect exposure), including the equity investments managed by LGIM and AIL, the diversified credit strategy managed by PIMCO, the short-dated credit strategies managed by Insight and Robeco, and the global credit investments managed by LGIM. The Scheme mitigates currency risk by investing in GBP hedged share classes of the equity, diversified credit and short-dated credit funds, whilst LGIM hedges the currency risk associated with overseas bond holdings in the global credit portfolio back to GBP.

- **Interest rate risk**

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in annuities, as well as UK government bonds, global credit, and derivative instruments through pooled investment vehicles, in order to match changes in the value placed on the Scheme's liabilities due to changes in interest rates. The Trustees have set a target for investments in liability matching assets of 70% the total investment portfolio (excluding annuities). If interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

- **Other price risk**

Other price risk arises principally in relation to the Scheme's growth portfolio which includes equities, diversified credit and short-dated credit strategies held in pooled investment vehicles. The Scheme has set a target asset allocation of 30% of the total investment portfolio (excluding annuities) being held in growth investments.

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

The Scheme is subject to inflation risk because some of the Scheme's investments are held in inflation-linked bonds and derivative instruments through pooled investment vehicles. If inflation rises, the value of the inflation-linked investments will also rise to help match the increase in actuarial liabilities. Similarly, if inflation falls, the investments will also fall in value, as will the actuarial liabilities.

Fair value determination

The fair value of financial instruments has been determined using the following fair value hierarchy pursuant to FRS 102:

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

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted, and the vehicles are included in level 3 as appropriate.

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

As at 31 May 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
LGIM Global Equities	-	24,863,933	-	**24,863,933**
AIL Global Equities	-	25,601,720	-	**25,601,720**
PIMCO Diversified Credit	-	47,936,868	-	**47,936,868**
Insight Short-Dated Credit	-	27,983,633	-	**27,983,633**
Robeco Short-Dated Credit	-	25,590,059	-	**25,590,059**
LGIM Bespoke Portfolio	-	330,052,555	-	**330,052,555**
Total Pooled Investment Vehicles	**-**	**482,028,767**	**-**	**482,028,767**
LGIM Annuities	-	-	8,000,000	**8,000,000**

	Level 1	Level 2	Level 3	Total
AVC Investments	-	879,310	-	**879,310**
Total Investments	**-**	**482,908,077**	**8,000,000**	**490,908,077**

As at 31 May 2022	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
LGIM Global Equities	-	42,941,483	-	**42,941,483**
AIL Global Equities	-	42,933,049	-	**42,933,049**
PIMCO Diversified Credit	-	77,687,285	-	**77,687,285**
Insight Short-Dated Credit	-	36,804,505	-	**36,804,505**
Robeco Short-Dated Credit	-	38,040,013	-	**38,040,013**
LGIM Bespoke Portfolio	-	455,877,049	-	**455,877,049**
Total Pooled Investment Vehicles	**-**	**694,283,384**	**-**	**694,283,384**
LGIM Annuities	-	-	10,600,000	**10,600,000**
AVC Investments	-	906,310	-	**906,310**
Total Investments	**-**	**695,189,693**	**10,600,000**	**705,789,693**

Concentration of investments

The following investments each accounted for more than 5% of the Scheme's net assets at the year end.

	2023		2022	
	£	%	£	%
LGIM Bespoke Portfolio	330,052,555	68.5	455,877,049	65.7
PIMCO Low Duration Income Fund	47,936,868	9.9	77,687,285	11.2
Insight Short Dated Buy and Maintain Bond Fund	27,983,633	5.8	36,804,505	5.3
AIL Global Impact Strategy	25,601,720	5.3	42,933,049	6.2
Robeco Global Credits Short Maturity Fund	25,590,059	5.3	38,040,013	5.5
LGIM Developed Balanced Factor Equity Index Fund (GBP Hedged)	24,863,933	5.2	42,941,483	6.2

Source: Investment Managers/Aon. Note: Numbers may not sum due to rounding.

Independent auditor's statement about contributions to the Trustees of the Provident Financial Staff Pension Scheme

We have examined the summary of contributions to the Provident Financial Staff Pension Scheme for the Scheme year ended 31 May 2023 to which this statement is attached. In our opinion contributions for the Scheme year ended 31 May 2023 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 30th June 2022.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

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

[redacted]

Crowe U.K. LLP
Statutory Auditor
Manchester
19 December 2023

Summary of contributions payable to the Scheme in respect of the year ended 31 May 2023

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

	£ (000's)
Employers' contribution re deficit funding	250
Employers' contributions re Scheme expenses	810
Total contributions in respect of the year	**£1,060**

Signed on behalf of the Trustees:

[redacted] K J Mullen

S B Wilkie

Date: 11 December 2023

Report on Actuarial Liabilities (forming part of the Report of the Trustees)

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service, to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Principal Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 1 June 2021. This showed that on that date:

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

The technical provisions funding level had increased to 104.1% at 1 June 2021 with a funding surplus of £33.7 million (96.5% and deficit of £29.8m at 1 June 2018). The methods and significant actuarial assumptions used to determine the technical provisions are as follows.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method. This means that the technical provisions will be calculated as the capital value of the prospective benefits arising from service completed before the date of the actuarial valuation on 1 June 2021. An allowance was included for the cost of adjusting benefits for the effect of GMP Equalisation of £8.2m.

Significant actuarial assumptions

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

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

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

Pension increases: Derived from the term-specific rates for future Retail and Consumer Price Inflation considering the effect of inflation volatility and allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules. The long-term single equivalent assumptions adopted for each pension increase at 1 June 2021 are shown below:

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

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

Transfers out of the Scheme

Transfer values paid during the year in respect of transfers to other pension schemes have been calculated and verified by the Scheme Actuary in accordance with the Pension Schemes Act 1993.

Schedule of Contributions
Provident Financial Staff Pension Scheme ("the Scheme")

Date of schedule

This schedule has been prepared by the Trustees, after obtaining the advice of Richard Lawson, the actuary to the Scheme. It is dated 30 June 2022. This date applies for reference purposes only and it will become effective from the date of its actuarial certification.

Introduction

This schedule specifies, for the period from 30 June 2022 until 30 June 2027, the rates and due dates of contributions to the Scheme. No employee contributions are due.
This schedule has been prepared in accordance with the requirements of the Pensions Act 1995. It is subject to review from time to time as required by legislation and by the Scheme's Trust Deed and Rules and following actuarial valuations.
The rates of contributions payable to the Scheme during the period of this schedule, and the due dates of these contributions, are as set out below.

Employer contributions

In respect of the expenses of operating the Scheme, Provident Financial plc (the "Company") will pay contributions of E70,000 per month. In addition, the Company will also contribute an annual amount equal to the aggregate of any statutory levies that are paid from the Schemes assets (including the Pension Protection Fund levy, if relevant) and will separately meet life assurance costs.
All employer contributions are to be paid to the Scheme no later than the nineteenth of the calendar month following that to which the payment relates but may be made in advance.

In respect of any augmentations granted, the Company will pay additional amounts to cover the cost of benefit augmentations within one month of the later of the date of granting the augmentation and the date on which the Trustees receive the details of the costs from the Scheme Actuary.

Signed and dated on behalf of the Trustees of the Provident Financial Staff Pension Scheme:

Signed [redacted]

Name: [redacted]

Position: [redacted]

Date: 30 June 2022

Signed and dated on behalf of Provident Financial plc:

Signed: [redacted]

Name: [redacted]

Position: [redacted]

Date: 30 June 2022

1 **Adequacy of rates of contributions**

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected, on 1 June 2021, to continue to be met for the period for which the schedule is to be in force.

2 **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 30 June 2022.

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

[redacted]

Richard Lawson
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW company

5 Wellington Place
Wellington Street
Leeds
LS1 4AP

Date: 30 June 2022

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Provident Financial Staff Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 1 June 2021 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 30 June 2022.

[redacted]

Richard Lawson
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW Company
30 June 2022

WTW
5 Wellington Place
Leeds
LS1 4AP

Provident Financial Staff Pension Scheme (Equities)

Managed Fund Policy Number MF 30803/000

Investment Report for the year ended 1 June 2023

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

LGIM Equities 1 June 2022: £42,941,483.38 1 June 2023: £24,863,932.75

			Performance (%) Last 3 Months			Performance (%) Last 1 Year			Performance (%) Last 3 Years		
Sub-Account	Asset	Bought/(Sold) Date	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return
30803/000: Provident Financial Staff Pension Scheme (Equities)	HBAB - Dev Balanced Factor Eqty Idx Fd - GBP Ccy Hgd		(0.12)	(0.26)	0.14	(0.31)	(0.84)	0.53	-	-	-
	Total		(0.12)	-	-	(0.31)	-	-	0.16	-	-

Provident Financial Staff Pension Scheme (Bonds)

Managed Fund Policy Number MF 30803/001

Investment Report for the year ended 1 June 2023

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

LGIM Bonds 1 June 2022: £455,877,049.33 1 June 2023: £330,052,554.73

			Performance (%) Last 3 Months			Performance (%) Last 1 Year			Performance (%) Last 3 Years		
Sub-Account	Asset	Bought/(Sold) Date	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return	Client Return	Index Return	Relative Return
30803/001: Provident Financial Staff Pension Scheme (Bonds)	TLEJ - Bespoke (30803)		(7.27)	-	-	(40.59)	-	-	-	-	-
	Total		(7.27)	-	-	(40.59)	-	-	(25.74)	-	-