



Northern Foods Pension Scheme

Scheme Registration Number: 101437596

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



Contents

Trustee, Principal Employer and Advisers	2
Trustee's Report	
Scheme Management	5
Investment Matters	10
Statement of Investment Principles - Annual Implementation Statement	13
Compliance Matters	18
Statement of Trustee's Responsibilities	20
Report on Actuarial Liabilities	21
Contact for Further Information	23
Approval of the Annual Report	23
Actuary's Certification of the Adequacy of Contributions	24
Independent Auditor's Statement about Contributions	25
Independent Auditor's Report	27
Fund Account	30
Statement of Net Assets available for benefits	31
Notes to the Financial Statements	32

Trustee, Principal Employer and Advisers

Trustee:	Northern Foods Trustees Limited, the directors of which are: C Martin of Independent Trustee Services Limited (Chairman) A C Wadley (Vice Chairman) ♦ S Imeson*♦+ J R Searle ♦ S T Irons + R J Kay*+ *Indicates Member-Nominated Director ♦Indicates Member of the Investment Committee +Indicates Member of the Operations Committee
Company Secretary:	P I Croskin
Scheme Secretary:	Paragon Pension Services Limited
Scheme Administrator:	Capita Pension Solutions Limited
Scheme Actuary:	R Mellor FIA, Aon Solutions UK Limited
Investment Adviser/ Fiduciary Manager:	Willis Towers Watson
Solicitor:	Linklaters LLP
Trustee Executive Governance Services:	XPS Pensions Group (appointed 15 June 2022)
Investment Managers:	Alinda Infrastructure Parallel Fund II LP Alpha Real Capital Alvarium formerly LJ Administration Ltd. Home Long Income Fund American Securities Partners V LP American Securities Partners VI LP AMX ARP Merger Armitage (full redemption October 2022) AMX Colchester (full redemption October 2022) AMX Feeder Systemica (full redemption October 2022) AMX Feeder Energy Dynamics formerly (Lansdowne Partners) (full redemption November 2022) AMX Pinz (full redemption October 2022) AMX Sands (full redemption October 2022) Ancala Partners LLP Anchorage Capital Partners Offshore Limited (full redemption March 2022) BlackRock Pensions BlackRock Renewable Income UK BossBrawn (investment October 2022) Brevan Howard Fund Limited (full redemption December 2022) Brockton Capital Fund II LP Cabot Square

Trustee, Principal Employer and Advisers

Investment Managers (continued):

Cerberus Institutional Partners International LP
Controlled Environment Foods Fund LLC (Equilibrium)
Crabel Fund SPC Ltd. (full redemption October 2022)
Fortress Credit Opportunities Fund (C) LP
Energy Capital Partners III
Equis Direct Investment Fund
Equitix
Folium Timber Fund
Folium Agriculture Fund
Fortress Credit Opportunities Fund III (C) LP
Fprop
Goldman Sachs Vintage Fund V Offshore LP
Greenstone Management II Limited
Hayfin Direct Lending Fund LP
HgCapital 6 & 7 LP
Insight Investment Management (Global) Limited
Knight Frank Investment Management
Lansdowne Partners UK LLP (full redemption November 2022)
Long Harbour
Mariner Investment Group LLC (now Newmarket)
NSSK II (Intl) Investment LP
Nephila Re-Insurance ICF
Nimbus Weather Fund Ltd.
Partners Group (UK) Limited
River Birch International Limited (full redemption April 2022)
River & Mercantile Asset Management LLP (full redemption October 2022)
Silverpeak (Lehman Brothers Real Estate Partners III LP)
Sustainable Growth Advisors LP (full redemption August 2022)
True North (appointed May 2022)
TW Alternative Credit
WTW Global Equity Focus (investment September 2022, redemption October 2022, investment April 2023)
WTW Diversifying Strategies (investment September 2022)

Trustee, Principal Employer and Advisers

AVC Investment Managers:	Utmost Life & Pensions Clerical Medical
Currency Manager:	Insight Investment Management
Custodian:	Bank of New York Mellon Limited
Bankers:	National Westminster Bank HSBC Bank plc Bank of New York Mellon Limited
Auditor:	Cooper Parry Group Limited
Principal Employer:	Northern Foods Limited Trinity Park House Fox Way Wakefield WF2 8EE

Trustee's Report

The Trustee is pleased to present its report and the audited financial statements of the Northern Foods Pension Scheme (the "Scheme") for the year ended 31 March 2023 together with the actuarial certificate. The Scheme provides defined benefit pensions and/or lump sum benefits to members and their dependants on retirement and/or death.

The Scheme was closed to new members on 22 March 2005 and closed to future accrual with effect from 31 October 2011.

Scheme Management

Legal Status

The Scheme started on 31 March 1951. The Scheme is governed by a Deed and Rules dated 30 March 2009 which amended the previous rules to document the Scheme changes made with effect from 1 April 2009. Members of the Scheme were contracted out of the State Second Pension using the Reference Scheme Test. Exempt approval was previously granted by HMRC for the purpose of Part XIV of Chapters I of the Income and Corporation Taxes Act 1988 and the Scheme is now registered under the Finance Act 2004.

Principal Employer

The Principal Employer of the Scheme is Northern Foods Limited.

Trustee and Trustee Directors

The powers of appointment of a new Trustee or Trustees and the power of removal of one or more Trustees or directors of a Corporate Trustee are vested in Northern Foods Limited.

Directors of the Trustee are appointed by resolution of the existing board of Trustee directors.

The Member-Nominated Directors of the Trustee are elected under the Procedures notified to the members and serve for six years.

The Trustee of the Scheme, and its directors, are as detailed on page 2.

Management and Advisers

The management and advisers to the Scheme during the year and at the date of this report are shown on pages 2 to 4 of this report.

Trustee's Report

Membership Analysis

The Scheme was closed to future accrual with effect from 31 October 2011 and there have been no active members since this date.

In addition to members of the Northern Foods Pension Scheme (NFPS), the membership analysis has been consolidated to include deferred and pensioner members of the Cavaghan & Gray Ltd Retirement Benefits Plan (C&G) and Fletchers Bakeries Retirement and Benefits Scheme (Fletchers) who previously transferred into the Northern Foods Pension Scheme.

Details of the current membership numbers of the Scheme are as follows:

	NFPS	C&G	Fletchers	Total
Deferred members as at 1 April 2022	6,286	285	27	6,598
Fully commuted pensions	(16)	(4)	-	(20)
Transfers out	(21)	(1)	-	(22)
Members retiring	(291)	(5)	(1)	(297)
Deaths	(25)	(2)	-	(27)
Deferred members as at 31 March 2023	5,933	273	26	6,232
Pensioner members as at 1 April 2022	7,346	93	39	7,478
Deaths	(280)	(4)	(7)	(291)
Suspended	(5)	-	-	(5)
Retired	291	5	1	297
Reinstated pensioners	5	-	-	5
Pensioner members as at 31 March 2023	7,357	94	33	7,484
Dependant pensioners as at 1 April 2022	1,088	10	8	1,106
New dependants	100	-	1	101
Adjustments	2	-	-	2
Deaths	(66)	-	-	(66)
Commuted liability	(1)	-	-	(1)
No liability	(3)	-	-	(3)
Reinstated pensioners	3	-	-	3
Dependant pensioners as at 31 March 2023	1,123	10	9	1,142

Included in the above pensioner members is 1 pensioner (2022: 1) for whom an annuity is received by the Scheme.

Trustee's Report

Internal Disputes Resolution

The Pensions Act 1995 requires the Trustee to establish a formal complaints procedure. The Trustee has put such a procedure in place, and this is set out in the explanatory booklet dated April 1997, given to all Scheme members when they first joined the Scheme.

Pension Increases

Under the Rules, pensions in payment are increased on 1 April each year in line with the RPI figure for January subject to a maximum of 3% (or a maximum of 5% for benefits accrued between 1 April 1997 and 31 August 2005). The Trustee may give discretionary increases if inflation is above 3% or 5% respectively but no such increases have been given during the year.

On 1 April 2023 pensions in payment were increased in accordance with the Scheme rules as follows:

Pre 88 GMP 0.0% (2022: 0.0%)

Post 88 GMP 3.0% (2022: 3.0%)

Pre April 1997: Excess 3.0% (2022: 3.0%)

Post April 1997: Excess 5.0% (2022: 5.0%)

Deferred pension entitlements have been increased in line with the Scheme rules.

Payments to Northern Foods Limited

The Trustee confirms to the Scheme membership that there has not been any payment to the Principal Employer by the Scheme in the year.

Capita Cyber Incident

The Trustee was notified by Capita on 18 May 2023 that personal data which Capita processes on behalf of the Trustee has been part of the data exfiltrated as a result of the cyber incident. The Trustee is taking action to comply with its regulatory obligations, including informing relevant regulators and has communicated with all affected members. In addition Capita has offered a complementary 12 month credit monitoring service to support members who have concerns about others using their data. Importantly, Capita's HartLink pension administration platforms were not affected and this was evidenced to the Service Auditor. A small number of the network controls were impacted; however, the actions to contain the incident and quickly recover infrastructure and systems, have enabled Capita to service clients and process key financial transactions. The Directors of Capita Pension Solutions Limited have concluded that the cyber incident does not change their opinion regarding the ongoing operating effectiveness of Capita's controls.

Trustee's Report

Transfer Value Payments

Cash equivalent transfer values quoted prior to 1 October 2008 in respect of transfers to other pension funds were calculated in accordance with Section 97 of the Pension Schemes Act 1993 and were not below the amounts for which Section 94 (1) of the Pension Schemes Act 1993 provides. No allowance was made in the transfer values for discretionary benefits.

With effect from 1 October 2008 cash equivalent transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) Amendment Regulations 2008. The transfer value basis was set by the Trustee with advice from the Scheme Actuary. Legislation allows the transfer value basis calculations to be reduced to reflect a pension fund's underfunding. The Trustee has agreed that a reduction of 17% from 1 August 2017 should be applied to the transfer values. Prior to this reduction, the reduction was 28%. No allowance was made in the transfer values for discretionary benefits.

Financial Development of the Scheme

The financial statements of the Scheme for the year ended 31 March 2023, as set out on pages 30 to 49, have been prepared and audited in accordance with Sections 41 (1) and (6) of the Pensions Act 1995 and within the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (revised 2018).

A summary of the Scheme's financial statements is set out below:

	£'000	£'000
The value of the net assets of the Scheme at the beginning of the year was		1,189,880
Contributions from the employer and other income during the year amounted to	31,663	
Benefits paid, transfer values paid and Scheme expenses	<u>(54,026)</u>	
Net additions from dealings with members		(22,363)
Investment income net of investment managers' expenses		19,805
The decrease in the market value of the investments of the Scheme was		<u>(362,037)</u>
The value of the net assets of the Scheme at the end of the year was therefore		<u><u>825,285</u></u>

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issues will affect the Scheme and will be considering this at 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.

The Trustee is reviewing, with its advisers, the implication of these rulings in the context of the Scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements. Any liabilities arising will be accounted for in the year they are determined.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. It is not possible to reliably estimate the value of any such adjustments at this point in time. Any liabilities will be accounted for in the year they are determined.

Trustee's Report

Summary of Contributions

During the year ended 31 March 2023 the contributions payable to the Scheme by the Employer under the Schedules of Contributions certified on 30 March 2022 and 7 December 2022 were as follows:

	2023	2022
	£'000	£'000
Employer's expense contributions	1,500	1,500
Employer's deficit funding contributions	27,563	18,337
Contributions payable under the Schedules of Contributions (as reported on by the Scheme Auditor)	29,063	19,837
Underpaid contributions	(800)	(8,335)
Allowance for contributions deferral	3,400	5,100
Contributions included in the financial statements	31,663	16,602

An employer deficit funding contribution of £2,933,000 was due for the month of November 2022 in accordance with the Schedule of Contributions certified on 30 March 2022. Only £2,133,000 of this contribution has been received, resulting in an underpayment of £800,000. The March 2022 Schedule of Contributions was superseded by a Schedule of Contributions certified on 7 December 2022 which stipulated a lower contribution level was now payable in respect of November 2022. As a result, this underpayment is no longer payable to the Scheme.

Employer expense contributions for the months of May 2022, August 2022, January 2023 and February 2023 were received one day later and October 2022 was received two days later than the due date stipulated per the Schedules of Contributions certified on 30 March 2022 and 7 December 2022.

The employer deficit funding contribution of £1,000,000 due following the Uttoxeter sale true-up calculation was received by the Scheme on 31 March 2023. Per the Schedule of Contributions certified on 30 March 2022, this contribution should have been received by the Scheme on or before 7 October 2022, 15 days after the true-up calculation was performed, and as such this contribution was received 175 days later than the due date stipulated in the Schedule of Contributions.

Going Concern

The financial statements have been prepared on a going concern basis as the Trustee Directors believe, having taken advice from its Covenant advisor (Ernst Young Parthenon) that this is appropriate. The Scheme is able to meet its financial commitments over the next 12 months from the date of signing, although the Trustee Directors anticipate that the Scheme will still have a significant deficit at the end of this period.

The elimination of the Scheme deficit is dependent on investment performance and significant contributions from the sponsoring employer over the funding period, as outlined in the latest Recovery Plan.

Single Code of Practice

The Pensions Regulator (tPR) released a consultation document on 17 March 2021 on the new Single Code of Practice (including a full draft of the Code). The new Code aims to bring together 10 of the 15 existing Codes of Practice, plus various pieces of existing guidance and new material required as a result of the 2018 Occupational Pension Schemes (Governance) regulations. The consultation closed in May 2021 and tPR have carried out a full review of the responses.

tPR has revealed that the consolidated single code of practice will be called the **General Code** and whilst they do not have a firm final publication date for the new code it is not expected to be published until autumn 2023 at the earliest. The Trustee has started a review of the draft Code and will assess whether current governance practices meet tPR's new expectations once the new code becomes effective.

Trustee's Report

Investment Matters

Overview

The Trustee, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Scheme. The Trustee has appointed an investment manager to manage the Scheme's assets on a discretionary basis and to provide investment advisory services to the Trustee (the "Fiduciary Manager"). The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Manager, with the objective of maximising the probability of achieving the Scheme's investment objective set by the Trustee. The Fiduciary Manager's discretion is subject to guidelines set by the Trustee in the Fiduciary Management Agreement between the parties as amended from time to time (the "FMA"). In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations in the FMA, including the guidelines and any investment restrictions set out therein.

Investment managers

The names of those who have managed the scheme's investments during the year are listed on pages 2 and 3. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental, or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustee has reviewed each of the Scheme's equity managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. This Statement may change from time to time according to advice received from the investment manager or consultants.

Departures from investment principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by the Scheme's investment managers during the year ended 31 March 2023.

Custodial arrangement

As at 31 March 2023 the Scheme employed Bank of New York Mellon as custodian for the underlying assets held by the Scheme's investment managers.

Employer-related investments

There were no employer related investments held as at 31 March 2023.

Northern Foods Pension Scheme

Confidential

Trustee's Report

Investment Matters

Asset allocation

The long-term target asset allocation for the Scheme as at 31 March 2023 was as follows:

Asset Class	Weighting %	Ranges %
Return seeking assets	44.2	+/-3
Equities	3.5	
Hedge Funds	2.3	
Investment Grade Credit	0.6	
Opportunistic Private Markets	16.2	
Secure Income Assets	12.5	
Alternative Betas	4.0	
Alternative Credit	3.6	
Cash	1.5	
Matching assets	55.8	+/-3
Liability Driven Investments, currency hedging and downside risk protection	55.8	
	100.0	

Trustee's Report

Investment Matters

Review of investment performance

The table below details the performance, net of fees, of the Scheme's investment managers for the periods ending 31 March 2023. Note all returns are in local currency.

Manager	Fund (%)	1 Year		Fund (%)	3 Years pa		Fund (%)	5 Years pa		Relative (% p.a.)
		B'mark (%)	Relative (%)		B'mark (%)	Relative (% p.a.)		B'mark (%)	Relative (% p.a.)	
Hedge Funds										
Anchorage	14.0	9.0	+5.0	16.3	1.0	+15.3	10.3	4.1	+6.2	
Nephila – Weather Insurance	5.0	9.0	-4.0	6.1	1.0	+5.1	6.9	4.1	+2.8	
Investment Grade Credit										
Colchester (AMX)*	-	-	-	-	-	-	-	-	-	-
Private Markets										
Performance is not included for individual Opportunistic Private Market or Secure Income Asset managers. These are included in the annual private markets report.										
Alternative Betas										
TWIM DSF**	-	-	-	-	-	-	-	-	-	-
Nephila - Reinsurance	3.3	9.0	-5.7	-0.9	1.0	-1.9	2.6	4.1	-1.5	
Alternative Credit										
HayFin	-5.0	5.0	-10.0	9.9	-0.3	+10.2	7.8	-0.1	+7.9	
Newmarket	7.9	9.0	-1.1	9.0	1.0	+8.0	11.2	4.1	+7.1	
TWIM ACF	4.8	9.0	-4.2	6.9	1.0	+5.9	5.4	4.1	+1.3	
Liability Driven Investments										
Insight LDI	-56.0	-	-	-26.9	-	-	-11.8	-	-	-
Total Scheme	-28.6	-	-	-10.8	-	-	-3.7	-	-	-

Source: BNY Mellon.

*Returns not populated for Colchester given reinvestment in March 2023

**Returns not populated for TWIM DSF given investment in October 2022

Investment risk disclosures

Investment risks are disclosed in note 19 on pages 43 to 46.

Statement of Investment Principles - Annual Implementation Statement

Scheme year ending 31 March 2023

1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by Northern Foods Trustees Limited as Trustee of the Northern Foods Pension Scheme (“the Scheme”) covering the Scheme year to 31 March 2023 (“the year”). The purpose of this statement is to:

- set out how, and the extent to which, in the opinion of the Trustee, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed 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 services of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. . In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this Implementation Statement will be made available on the following website: www.nfpensions.com.

2. Voting and engagement

Trustee’s engagement policy

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee’s agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

The Trustee’s view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in its investment manager research.

Statement of Investment Principles - Annual Implementation Statement

2. Voting and engagement (continued)

Trustee's engagement policy (continued)

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. **However, no managers were terminated on these grounds during the Year.**

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, one of those deemed most significant by the Trustee have been shown below. The Trustee is in the process of identifying their priorities for voting and engagement and, for this year's statement, has allowed the Fiduciary Manager to select "significant" votes which align with their identified priorities for voting and engagement – human and labour rights, and climate – where the data has allowed.. Over the course of the Scheme year, the Scheme held five pooled equity funds:

- Manager A – Global equities
- Manager B – Developed Market equities
- Manager C – Global equities
- Manager D – Emerging Market equities
- Manager E – Global equities

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Investment Consultant represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

Statement of Investment Principles - Annual Implementation Statement

2. Voting and engagement (continued)

Trustee's engagement policy (continued)

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Statement of Investment Principles - Annual Implementation Statement

2. Voting and engagement (continued)

Further information on the voting and engagement activities of the managers is provided below:

Manager and strategy	Voting activity	Most significant votes cast	Use of proxy voting
Manager A – Global equities	<p>Number of eligible votes: 7,175</p> <p>Percentage of eligible votes cast: 98.0%</p> <p>Percentage of votes with management: 78.0%</p> <p>Percentage of votes against management: 22.0%</p> <p>Percentage of votes abstained from: 0.6%</p> <p>Percentage of votes against recommendation of proxy advisor: 13.7%</p>	<p>Company: Citigroup Inc.</p> <p>Resolution: Report on respecting indigenous peoples' rights</p> <p>Decision: For</p> <p>Rationale for voting decision: Given recent controversies surrounding Citigroup with indigenous leaders calling Citigroup to stop financing oil and gas projects in the Amazon, it is significant that Citigroup are considering both climate impact and social impact on communities in regards to supporting and financing fossil fuel projects.</p> <p>Rationale for inclusion: Large holding in portfolio and importance of social issue.</p>	<p>Manager A uses a third party, ISS Corporate Solutions, to implement their voting policy, overriding the proxy's recommended action when it differs from their General Principles on standards for good corporate governance and management of environmental and social issues.</p>
Manager B – Developed Market equities	<p>Number of eligible votes: 845</p> <p>Percentage of eligible votes cast: 99.1%</p> <p>Percentage of votes with management: 96.7%</p> <p>Percentage of votes against management: 3.3%</p> <p>Percentage of votes abstained from: 0.0%</p> <p>Percentage of votes against recommendation of proxy advisor: 3.7%</p>	<p>Company: Royal Dutch Shell Plc</p> <p>Resolution: Approve the Shell Energy Transition Progress Update</p> <p>Decision: Against</p> <p>Rationale for voting decision: The manager deemed that a vote against this resolution is warranted. The Company's Scope 3 targets relate to intensity reduction, rather than absolute emission reduction. Additionally, there is a lack of detail on the Company's Scope 3 emissions and on how it intends to meet its associated targets. More granular and explicit disclosure should be provided to enable stakeholders to make the connection between the Company's goals and the relevant IEA net zero pathways. Furthermore, the plans are partly reliant on technologies, such as CCS, and on offsets (nature-based offsets) Rationale for inclusion: Climate related vote.</p>	<p>The Firm maintains a Proxy Voting Policy that is designed to ensure that the Firm will make a best efforts attempt to vote proxies with respect to client securities in the best interests of its clients. The Firm has engaged a service provider, ISS Europe Limited ("ISS") to provide corporate research and to facilitate the voting process, but it has not delegated the proxy voting decisions. Since January 2021 all strategies have subscribed to the ISS Sustainability Policy.</p>

Statement of Investment Principles - Annual Implementation Statement

2. Voting and engagement (continued)

Manager and strategy	Voting activity	Most significant votes cast	Use of proxy voting
Manager C – Global equities	<p>Number of eligible votes: 420</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 94%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 0%</p> <p>Percentage of votes against recommendation of proxy advisor: 7%</p>	<p>Companies: Amazon</p> <p>Resolution: Report on Efforts to Reduce Plastic Use</p> <p>Decision: For</p> <p>Rationale for voting decision: Promotes transparency around environmental issues</p> <p>Rationale for inclusion: The manager considers environmental issues an important consideration in brand reputation and long-term company performance.</p>	<p>Manager C utilizes the services of ISS for voting proxies and record keeping. Manager C also utilizes ISS and MSCI to provide research that they utilize in making proxy voting decisions in accordance with Manager C's proxy policies.</p>
Manager D – Emerging Market equities	<p>Number of eligible votes: 440</p> <p>Percentage of eligible votes cast: 100.0%</p> <p>Percentage of votes with management: 94.1%</p> <p>Percentage of votes against management: 3.9%</p> <p>Percentage of votes abstained from: 2.1%</p> <p>Percentage of votes against recommendation of proxy advisor: 12.7%*</p>	<p>Company: Hangzhou Tigermed Consulting Co., Ltd.</p> <p>Resolution: Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights for H Shares</p> <p>Decision: Against</p> <p>Rationale for voting decision: On the one hand, shareholders should have pre-emptive rights for large stock issues or have an opportunity to review and vote on such issuances, but on the other, companies should also have the flexibility to transact ordinary business without undue burden or cost. Therefore, the need for flexibility must be balanced with providing reasonable protection for shareholder interests. As such, the aggregate share issuance limit (inclusive of share reissuance limit, if any) should be no more than 10 percent of the relevant class of shares and the discount limit should not exceed 10 percent.</p> <p>Rationale for inclusion: The criteria the manager selected to assess the "significance" of the vote were the dissent level, shareholder proposals voted FOR, times voted AGAINST management or ISS, historical votes on similar proposals, and overall relevance to the strategy.</p>	<p>Manager D uses ISS, Glass Lewis, and SES (for India Holdings) standard voting policy.</p> <p>*Since Manager D uses multiple proxy advisor services this number can vary, however, this percentage is based on ISS recommendations.</p>
Manager E – Global equities	<p>Number of eligible votes: 2,548</p> <p>Percentage of eligible votes cast: 98.5%</p> <p>Percentage of votes with management: 87.6%</p> <p>Percentage of votes against management: 10.8%</p> <p>Percentage of votes abstained from: 1.6%</p> <p>Percentage of votes against recommendation of proxy advisor: 10.5%</p>	<p>Companies: Cigna Corporation</p> <p>Resolution: Report on gender pay gap</p> <p>Decision: For</p> <p>Rationale for voting decision: The manager supports disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.</p> <p>Rationale for inclusion: Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.</p>	<p>EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers use ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.</p>

Trustee's Report

Compliance Matters

The purpose of this section is to provide information which is required to be disclosed in accordance with Schedule 3 of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

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.

Address: 120 Holborn, London, EC1N 2TD

Website: <https://www.moneyhelper.org.uk>

Email: pensions.enquiries@moneyhelper.org.uk

Tel: 0800 011 3797

Pensions Ombudsman

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 Pensions Ombudsman may be contacted at:

10 South Colonnade

Canary Wharf

London E14 4PU

or email: enquiries@pensions-ombudsman.org.uk

Telephone: 0800 917 4487

The Pensions Regulator

The Pensions Regulator ("The Regulator") is able to intervene in the running of schemes where the trustees, employers or professional advisers have failed in their duties. The Regulator's address and telephone number are as follows:

The Pensions Regulator

Telecom House

125-135 Preston Road

Brighton

BN1 6AF

Tel: 0345 600 7060 or via their website at www.thepensionsregulator.gov.uk.

The Pension Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. The Pension Tracing Service can be contacted at the following address:

The Pension Service

Post Handling Site A

Wolverhampton WV98 1AF

Telephone: 0800 731 0193 or via the website at www.gov.uk/find-pension-contact-details

Trustee's Report

Compliance Matters

GDPR

The General Data Protection Regulation ("GDPR") is a regulation by the European Parliament intended to strengthen and unify data protection for all individuals within the EU. It also addresses the export of personal data outside of the EU. GDPR came into force from 25 May 2018 and the Trustee worked with its advisers to formulate its GDPR policy so that it was compliant. The Trustee has communicated with members on this matter.

From 1 January 2021, the UK GDPR came into effect which will run alongside the DPA 2018, and the EU GDPR to which all EU nations remain subject, and this includes where Capita operate in the EU. This ensures there is adequate provision for the safe processing of data in the UK and in the EU/EEA.

The Trustee's obligations under the UK GDPR are fundamentally the same as its obligations under the EU GDPR and we continue to remain subject to UK Data Protection laws.

Trustee's Report

Statement of Trustee's Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of 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 Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the 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 Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions. Where breaches of the Schedules 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, 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 members' benefit entitlements, assessed using the assumptions agreed between the Trustee and the Employer. These assumptions are set out in the Statement of Funding Principles dated 29 September 2023, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2022. This showed that on that date:

The value of the Technical Provisions was: £1,404 million

The value of the assets at that date was: £1,177 million

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

Method

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

Significant actuarial assumptions

Discount rate	The fixed interest gilt yield curve plus 0.9% p.a. reducing linearly to gilts plus 0.5% by 31 March 2034
Rate of (RPI) price inflation	The difference between fixed interest and index-linked gilt yield curves
Rate of (CPI) price inflation	Based on the RPI inflation assumption less Aon's best estimate of the difference between future RPI inflation and future CPI inflation. For the 31 March 2022 valuation this was equal to the RPI inflation assumption less 0.9% p.a. to 2030 and 0.1% p.a. post 2030
Increases to pensions in payment	Derived from the RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases using term dependent best estimates of future inflation volatility
Revaluations of deferred pensions in excess of GMP	Derived from the CPI price inflation assumption

Significant demographic assumptions at the Valuation Date

Post-retirement mortality

Standard tables SAPS S3 Heavy, which have been scaled using results from the Aon Longevity Model.

For each member, an individual scaling factor has been determined using the Aon Longevity Model based on the member's date of birth, sex and socio-economic information inferred from their postcode and membership category. For the 31 March 2022 valuation, an addition of 6% was made to the scaling factors to reflect an updated view on mortality rates following the COVID-19 pandemic.

Trustee's Report

Report on Actuarial Liabilities (continued)

Summarised below are the equivalent single scaling factors by member group that, if applied to all members in that group, would produce approximately the same value of liabilities as the individual scaling factors.

Category	Sex	Equivalent single scaling factor
Deferreds:	Males	101%
	Females	115%
Pensioners and dependants:	Males	96%
	Females	115%

An allowance for future improvements has been made in line with the CMI_2021 core projections with parameters $S_k = 7.0$, $A=0$ and assuming a long-term rate of improvement in mortality rates of 1.5% p.a.

Commutation

Each member is assumed to commute 66% of maximum allowable cash taken based on commutation factors in force at the valuation date allowing for improved factors over the period to 31 March 2032.

The above value of Technical Provisions does not include any provision for the value of the GMP Equalisation liability.

Next valuation

The next actuarial valuation is as at 31 March 2025.

Trustee’s Report

Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals for information about their benefits or Scheme documentation, should be sent to:

Northern Foods Pension Scheme
Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington, DL1 9YT

Or email

NFPensions@Capita.co.uk

Approval of the Annual Report

This Trustee’s Report was approved by the Trustee of the Northern Foods Pension Scheme on
19 October 2023

.....

and signed on its behalf by:

Chris Martin

.....

Trustee Director

Andy Wadley

.....

Trustee Director

Actuary's Certification of the Adequacy of Contributions

Northern Foods Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2019 to be met by the end of the period specified in the recovery plan dated 5 December 2022.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 December 2020.

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

Signature:

Date: 7 December 2022

Name:

Robert Mellor

Qualification:

Fellow of the Institute and
Faculty of Actuaries

Address:

3 The Embankment
Sovereign Street
Leeds
LS1 4BJ

Name of employer:

Aon Solutions UK Limited

Independent Auditor's Statement about Contributions to the Trustee of the Northern Foods Pension Scheme

We have examined the Summary of Contributions to the Northern Foods Pension Scheme for the Scheme year ended 31 March 2023 which is set out in the Trustee's Report on page 9.

Qualified Statement about Contributions payable under the Schedules of Contributions

In our opinion, except for the effects of the departures from the Schedules of Contributions referred to below, contributions for the Scheme year ended 31 March 2023 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 30 March 2022 and 7 December 2022.

Basis for qualified Statement about Contributions

Per the Schedule of Contributions certified on 30 March 2022, an employer deficit funding contribution of £2,933,000 was due for the month of November 2022. Only £2,133,000 of this contribution has been received, resulting in an underpayment of £800,000. The Schedule of Contributions certified on 30 March 2022 was superseded by a Schedule of Contributions certified on 7 December 2022 which stipulated a lower contribution level was now payable in respect of November 2022. As a result, this underpayment is no longer payable to the Scheme.

The employer expense contributions for the months of May 2022, August 2022, October 2022, January 2023 and February 2023 were received by the Scheme on 20 June 2022, 20 September 2022, 21 November 2022, 20 February 2023 and 20 March 2023, respectively. Per the Schedules of Contributions certified on 30 March 2022 and 7 December 2022, these contributions should have been received by the Scheme on or before the 19th of the following month to which they relate, and as such these contributions were received between 1 and 2 days later than the due date stipulated in the Schedules of Contributions.

The employer deficit funding contribution of £1,000,000 due following the Uttoxeter sale true-up calculation was received by the Scheme on 31 March 2023. Per the Schedule of Contributions certified on 30 March 2022, this contribution should have been received by the Scheme on or before 7 October 2022, 15 days after the true-up calculation was performed, and as such this contribution was received 175 days later than the due date stipulated in the Schedule of Contributions.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules 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 Schedules 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 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.

Northern Foods Pension Scheme

Confidential

Independent Auditor's Statement about Contributions to the Trustee of the Northern Foods Pension Scheme (continued)

Use of our report

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

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

COOPER PARRY GROUP LIMITED

Statutory Auditor

Date: 20 October 2023

Independent Auditor's Report to the Trustee of the Northern Foods Pension Scheme

Opinion

We have audited the financial statements of the Northern Foods Pension Scheme for the year ended 31 March 2023 which comprise the fund account, the statement of net assets and 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Trustee of the Northern Foods 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 20, the Scheme's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 liquidate the Scheme or to cease operations, 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 the 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. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

Independent Auditor's Report to the Trustee of the Northern Foods Pension Scheme

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

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

COOPER PARRY GROUP LIMITED

Statutory Auditor

Date: 20 October 2023

Fund Account

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Contributions and benefits			
Employer contributions	4	<u>31,663</u>	<u>16,602</u>
Benefits paid or payable	5	(46,244)	(45,444)
Payments to and on account of leavers	6	(5,462)	(4,677)
Administrative expenses	7	<u>(2,320)</u>	<u>(1,438)</u>
		<u>(54,026)</u>	<u>(51,559)</u>
Net withdrawals from dealings with members		<u>(22,363)</u>	<u>(34,957)</u>
Returns on investments			
Investment income	8	21,519	22,572
Change in market value of investments	9	(362,037)	(21,045)
Investment management expenses	10	<u>(1,714)</u>	<u>(2,528)</u>
Net returns on investments		<u>(342,232)</u>	<u>(1,001)</u>
Net decrease in the fund during the year		(364,595)	(35,958)
Net assets of the Scheme at 1 April		<u>1,189,880</u>	1,225,838
Net assets of the Scheme at 31 March		<u>825,285</u>	<u>1,189,880</u>

The notes on pages 32 to 49 form an integral part of these financial statements.

Statement of Net Assets available for benefits

as at 31 March 2023

	Note	2023 £'000	2022 £'000
Investment assets:			
Equities	9	7	8
Bonds	9	874,137	1,273,138
Pooled investment vehicles	12	307,706	531,051
Derivatives	13	2,553	496
Insurance policies	14	122	191
Reverse repurchase agreements	15	3,576	-
AVC investments	16	10,534	12,597
Cash	17	65,705	14,318
Other investment balances		4,213	8,262
		<u>1,268,553</u>	<u>1,840,061</u>
Investment liabilities:			
Derivatives	13	(953)	(5,245)
Repurchase agreements	15	(447,141)	(653,421)
		<u>(448,094)</u>	<u>(658,666)</u>
Total net investments	9	820,459	1,181,395
Current assets	20	6,467	10,078
Current liabilities	21	(1,641)	(1,593)
Net assets of the Scheme at end of year		<u>825,285</u>	<u>1,189,880</u>

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 does take into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 21 and 22 included in the Annual Report and these financial statements should be read in conjunction with this.

The notes on pages 32 to 49 form an integral part of these financial statements.

The financial statements on pages 30 to 49 were approved and authorised for issue by the Trustee

on 19 October 2023

and signed on its behalf by:

Trustee Director
Chris Martin

Trustee Director
Andy Wadley

Notes to the Financial Statements

1. Basis of preparation

The financial statements of the Northern Foods Pension Scheme 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP 2018).

The financial statements have been prepared on the going concern basis which the Trustee believes to be appropriate based on their expectations for a 12 month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Scheme to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due. Since the year-end, the employer has continued to make contributions to the Scheme in accordance with the Schedule of Contributions.

2. Identification of the financial statements

The Northern Foods Pension Scheme ("the Scheme") is an occupational pension scheme which started on 31 March 1951. The Scheme is a Trust governed by a Deed and Rules established under English Law dated 30 March 2009 which amended the previous rules to document the Scheme changes made with effect from 1 April 2009. The Scheme was established to provide retirement benefits to certain groups of employees of Northern Foods Limited whose principal office is Trinity Park House, Fox Way, Wakefield, WF2 8EE. The Trustee company is Northern Foods Trustees Limited whose principal office is at the same address. Enquiries should be addressed to Capita Pension Solutions Limited, PO Box 555, Stead House, Darlington, DL1 9YT.

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

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

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 on the date of retiring or leaving.

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

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

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and is shown separately within benefits.

Notes to the Financial Statements

3. Accounting policies (continued)

Expenses

Administration and investment managers' expenses are accounted for on an accruals basis.

Investment income

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

Dividends from equities are accounted for on the ex-div date.

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

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

Derivative income is shown net of interest payable and is accounted for on an accruals basis.

Income from annuity policies is accounted for on an accruals basis.

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:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of fixed income securities and is included in other investment balances.

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.

Over the counter (OTC) derivatives are valued using the following valuation techniques:

Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Options - are valued by the investment manager using generally accepted pricing models, where inputs are based on market data at the year end date.

Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

With profit AVC insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

Notes to the Financial Statements

3. Accounting policies (continued)

Investments (continued)

Unit linked AVC insurance policies are valued at the unit value provided by the insurance company.

Repurchase agreements are accounted for as follows:

Repurchase agreements (repo) – the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Reverse repurchase agreements (reverse repo) – the Scheme does not recognise the securities as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

Presentational currency

The Scheme's functional and presentational 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 on the date of the transaction.

4. Contributions

	2023 £'000	2022 £'000
Employer contributions		
Expenses	1,500	1,500
Deficit funding	30,163	15,102
	31,663	16,602

The Schedule of Contributions certified on 30 March 2022 recommended contributions of £2,083,000 monthly from 1 April 2022 to 31 July 2022 and £2,933,000 monthly from 1 August 2022 to 31 July 2023, the latter including an allowance of £850,000 per month in respect of an agreement to defer contributions due between 1 October 2021 and 31 March 2022. The Schedule of Contributions certified on 7 December 2022 recommended contributions of £2,083,000 monthly from 1 November 2022 to 31 December 2022, £3,172,000 monthly from 1 January 2023 to 31 July 2023 plus £1,000,000 payable by 31 March 2023, £2,083,000 monthly from 1 August 2023 to 31 March 2025, £2,634,000 monthly from 1 April 2025 to 31 August 2031 and £1,466,000 for the month of September 2031.

The Employer's expense contributions remain at £1,500,000 per annum (£125,000 per calendar month) to cover the cost of Scheme expenses under the Schedules of Contributions and are payable until 30 September 2031.

During the year, the Scheme also received £900,000 in July 2022 as the EBITDA of Northern Foods Limited (the principal employer) exceeded £36,000,000 in Q3 of 2022.

Notes to the Financial Statements

5. Benefits paid or payable

	2023 £'000	2022 £'000
Pensions	40,345	38,922
Commutations and lump sum retirement benefits	5,609	6,370
Death benefits	151	152
Taxation where lifetime or annual allowance exceeded	139	-
	<u>46,244</u>	<u>45,444</u>

6. Payments to and on account of leavers

	2023 £'000	2022 £'000
Individual transfers out to other schemes	5,462	4,677

7. Administrative expenses

	2023 £'000	2022 £'000
Administration and processing	1,040	618
Trustee fees (see note 22)	125	154
Actuarial fees	653	291
Audit fee	45	41
Legal and other professional fees	445	329
Sundry fees and expenses	12	5
	<u>2,320</u>	<u>1,438</u>

8. Investment income

	2023 £'000	2022 £'000
Dividends from equities	1	(1)
Income from bonds	15,882	18,054
Income from pooled investment vehicles	5,738	4,796
Annuity income	-	1
Interest on cash instruments and deposits	2,618	2
Net interest income / (charge) on derivatives & repurchase agreements	(2,720)	(280)
	<u>21,519</u>	<u>22,572</u>

Notes to the Financial Statements

9. Reconciliation of investments

	Value at 1 April 2022 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Value at 31 March 2023 £'000
Equities	8	-	-	(1)	7
Bonds	1,273,138	50,225	(107,065)	(342,161)	874,137
Pooled investment vehicles	531,051	222,806	(461,026)	14,875	307,706
Derivative contracts (net)	(4,749)	52,006	(20,561)	(25,096)	1,600
Insurance policies	191	-	(56)	(13)	122
Insurance policies – AVC and Group Transfer Plan	12,597	-	(1,059)	(1,004)	10,534
	1,812,236	325,037	(589,767)	(353,400)	1,194,106
Cash	14,318			(537)	65,705
Repurchase agreements (net)	(653,421)			(8,100)	(443,565)
Other investment balances	8,262			-	4,213
	1,181,395			(362,037)	820,459

Other investment balances	2023 £'000	2022 £'000
Unsettled transactions	2,607	4,705
Accrued investment income	1,606	3,557
	4,213	8,262

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

There were no material direct transaction costs in the 2022 or 2023 Scheme years.

In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

Notes to the Financial Statements

10. Investment management expenses

	2023 £'000	2022 £'000
Administration, management and custody	815	1,269
Advisory	899	1,259
	<u>1,714</u>	<u>2,528</u>

11. 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.

12. Pooled investment vehicles

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

	2023 £'000	2022 £'000
Equities	-	59,167
Bonds	13,227	42,232
Hedge funds	41,024	115,482
Private equity	39,455	37,417
Property and infrastructure	108,808	118,960
Credit and loans	47,683	67,963
Designated multi asset funds	3,223	3,394
Reinsurance	6,722	37,760
Energy	21,983	23,968
Natural resources	25,581	24,708
	<u>307,706</u>	<u>531,051</u>

Notes to the Financial Statements

13. 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:

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Options - Equity option contracts have been entered into in order to allow the Scheme to benefit from potentially greater returns from equities whilst minimising the risk of loss through adverse market movements.

At the year end the Scheme had the following derivatives:

	2023 Assets £'000	2023 Liabilities £'000	2022 Assets £'000	2022 Liabilities £'000
Forward FX contracts	2,553	(953)	249	(5,027)
Options	-	-	247	(218)
	<u>2,553</u>	<u>(953)</u>	<u>496</u>	<u>(5,245)</u>

Collateral arrangements – unrealised gains and (losses)

The counterparties to the swaps are banking institutions. Collateral is held/posted to support the unrealised gains/losses on derivative contracts. At 31 March 2023 the value of collateral posted in the form of bonds was as follows:

	2023 £'000	2022 £'000
Credit Agricole	1,461	-
Goldmans	(32)	-
Barclays Bank PLC	-	(287)
HSBC Securities	-	(5,051)
Lloyds Bank PLC	1,540	17
Lloyds TSB	-	(8,072)
Merrill Lynch	111	(909)
National Australia Bank	1,273	(6,247)
Societe Generale	-	(7,166)
Toronto Dominion (pending)	(260)	(435)
Toronto Dominion (settled)	(7,267)	(7,066)
Morgan Stanley & Co International	101	-
	<u>(3,073)</u>	<u>(35,216)</u>

Notes to the Financial Statements

13. Derivatives (continued)

(i) Options

	No. of contracts	2023 Asset £'000	2023 Liability £'000	Notional principal £'000
Expiration date – less than 10 years	-	-	-	-
	-	-	-	
	No. of contracts	2022 Asset £'000	2022 Liability £'000	Notional principal £'000
Expiration date – less than 10 years				
Europe buy/(put)	2	212	(212)	(7,259)
USD buy/(put)	1	35	(6)	5,129
	3	247	(218)	

(ii) Forward Foreign Exchange (FX)

Forward Contract	Settlement date	2023 Currency payable '000	2023 Currency receivable '000	2023 Asset £'000	2023 Liability £'000	2022 Asset £'000	2022 Liability £'000
OTC	3 months	EUR 0	GBP 0	-	-	-	(34)
OTC	3 months	GBP 34,130	USD 41,050	-	(953)	-	-
OTC	3 months	USD 154,625	GBP 127,504	2,553	-	249	(4,993)
OTC	3 months	JPN 17,826	GBP 108	-	-	-	-
				2,553	(953)	249	(5,027)

The expiration date for the forward currency contracts rolls every quarter end. The forward foreign exchange contracts entered into by the Scheme are over the counter contracts whereby two parties agreed to exchange two currencies on a specified future date at an agreed rate of exchange.

Notes to the Financial Statements

14. Insurance policies

The Scheme held insurance policies at the year end as follows:

	2023 £'000	2022 £'000
Annuities with Phoenix Life	122	191

15. Repurchase agreements

Settlement date	2023 Par value £'000	2023 Asset - Reverse Repos £'000	2022 Asset - Reverse Repos £'000	2023 Liability - Repos £'000	2022 Liability - Repos £'000
3 months	(180,290)	-	-	(180,290)	(302,832)
4-6 months	(253,190)	3,576	-	(256,765)	(277,660)
7-9 months	(10,086)	-	-	(10,086)	(43,975)
10-12 months	-	-	-	-	(28,954)
		3,576	-	(447,141)	(653,421)

At the year-end Government Bonds to the value of £443,535,000 (2022: £654,280,000) included in Scheme investment assets are held by counterparties under repurchase agreements. Collateral in bonds of £3,072,576 (2022: £35,216,221) was held to cover the difference between the liability and the value of the bonds.

16. AVC investments**Insurance policies – AVC and Group Transfer Plan investments**

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a Money Purchase basis for those members who had elected to pay Additional Voluntary Contributions and for those who have transfers in from other schemes. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account. All AVC contributions ceased on 31 October 2011. Group Transfer Plan investments relate to transfers in from other schemes and are included at the year end values provided by the Group Transfer Plan investment managers who are Clerical Medical and Utmost.

The aggregate amounts of these insured designated investments are as follows:

	2023 £'000	2022 £'000
Clerical Medical:		
With profits	5,444	6,156
Unit-linked	4,864	6,184
	10,308	12,340
Utmost:		
Unit-linked	226	257
	226	257
	10,534	12,597

Notes to the Financial Statements

16. AVC investments (continued)**Insurance policies – AVC and Group Transfer Plan investments (continued)**

	2023 £'000	2022 £'000
Comprising:		
AVCs	3,355	3,874
Group Transfer Plan	7,179	8,723
	10,534	12,597

The Scheme also holds designated BlackRock Pensions investments of £3,223,000 (2022: £3,394,000) relating to funds transferred into the Scheme following an acquisition. These are included within the pooled investment vehicles detailed in note 12 on page 37.

17. Cash balances

	2023 £'000	2022 £'000
Cash instruments - Sterling	57,899	7,491
- Foreign currencies	7,464	6,552
Cash - Sterling	227	232
- Foreign currencies	115	43
	65,705	14,318

18. 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 dates.
Level 2	Inputs other than quoted prices included within Level 1 that 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

18. Fair value determination (continued)

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

As at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	7	-	-	7
Bonds	870,068	4,069	-	874,137
Pooled investment vehicles	-	11,527	296,179	307,706
Derivatives (asset)	-	2,553	-	2,553
Derivatives (liability)	-	(953)	-	(953)
Insurance policies	-	-	122	122
AVC and Group Transfer Plan investments	-	5,090	5,444	10,534
Cash	65,705	-	-	65,705
Repos assets	-	3,576	-	3,576
Repos liabilities	-	(447,141)	-	(447,141)
Other investment balances	4,213	-	-	4,213
	939,993	(421,279)	301,745	820,459

Analysis for the prior year is as follows:

As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	8	-	-	8
Bonds	1,268,519	4,619	-	1,273,138
Pooled investment vehicles	-	23,002	508,049	531,051
Derivatives (asset)	247	249	-	496
Derivatives (liability)	(218)	(5,027)	-	(5,245)
Insurance policies	-	-	191	191
AVC and Group Transfer Plan investments	-	6,156	6,441	12,597
Cash	14,318	-	-	14,318
Repos liabilities	-	(653,421)	-	(653,421)
Other investment balances	8,249	13	-	8,262
	1,291,123	(624,409)	514,681	1,181,395

Notes to the Financial Statements

19. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. 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 or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value 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 or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate 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 Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking advice from its Fiduciary Manager, WTW. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment managers.

The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy set out below. The Trustee delegates the management of investment risks to its Fiduciary Manager within agreed guidelines 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 investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

The Scheme's net assets as at 31 March 2022 and 31 March 2023 are detailed in the Statement of Net Assets (available for benefits).

Notes to the Financial Statements

19. Investment risk disclosures (continued)

(i) 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 of the DB Section payable under the trust deed and rules as they fall due.

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

The strategy at the end of the year was to hold:

- 56% in Liability Driven Investments ('LDI') that, using a derivatives overlay, provides exposure to the equivalent of 111% of the assets to investments that move in line with the long-term liabilities of the Scheme. The LDI allocation includes UK government bonds and sterling denominated supranational bonds, the purpose of which is to hedge against the impact of interest rate movement on long-term liabilities.
- 44% in return-seeking investments including, but not limited to, UK and overseas equities, real assets, fixed income, alternative credit, diversifying strategies, hedge funds and private equity.
- 7% of the Scheme assets (held in the return seeking portfolio) are in overseas currencies. The exposure to US Dollar, Euro and Yen is managed by the Trustee using a currency hedging strategy using forward foreign exchange rates.

The Statement of Net Assets (available for benefits) disclose the value of equity securities as at 31 March 2023 as £7,000, fixed interest and index-linked securities as £874,137,000, and cash balances of £65,705,000. The comparative amounts as at 31 March 2022 are further detailed in note 9 of the accounts.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives, has cash balances, invests in pooled funds which undertake stock lending activities and enters into repurchase agreements. The values of the Scheme's arrangements as at 31 March 2022 and 31 March 2023 are detailed in note 9.

The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the underlying financial instruments held by the pooled investment vehicles.

Notes to the Financial Statements

19. Investment risk disclosures (continued)

(ii) Credit risk (continued)

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 Scheme also invests in alternative credit which may be rated below investment grade. Whilst the Trustee recognises there are additional risks associated with such investments, the expected return of these investments is deemed to compensate for the additional risk.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk is reduced by collateral arrangements (see note 13). Credit risk also arises on forward foreign currency contracts which are collateralised.

Credit risk for direct cash holdings is managed by investing any significant balances into a cash vehicle that diversifies by instrument and issuer.

Credit risk on repurchase agreements is mitigated through collateral arrangements as disclosed in note 15.

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

Pooled investment arrangements used by the Scheme include unit linked life assurance vehicles and limited liability companies.

(iii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets and denominated in a foreign currency (i.e. a currency other than Sterling). These investments are held via pooled investment vehicles. Indirect currency risk arises from the Scheme's investments in Sterling priced pooled investment vehicles which hold underlying investments denominated in a foreign currency.

To limit currency risk, the Trustee has implemented a pragmatic approach to hedge, on a passive basis, a proportion of the Scheme's exposure to the US Dollar, Euro and Yen. As at 31 March 2023, the target proportion of exposure to US Dollar (as a percentage of total assets) is 5%. The target proportion of exposure to the Euro (as a proportion of total assets) is 1%. The target exposure to Yen is 1%. The net currency exposure at the year-end was 5% US Dollar, 0% Euro and 1% Yen (2022: 4% US Dollar, 1% Euro and 1% Yen).

The Scheme uses hedged share classes of pooled funds and a currency hedging overlay manager, Insight, to manage currency risk. Insight determines the size of the relevant contracts, executes them and transfers cash to/from the Scheme when required as a result of a gain or losses on the hedging account.

Insight reports to the Trustee on the currency hedging positions.

Notes to the Financial Statements

19. Investment risk disclosures (continued)

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash. Indirect market risk arises if the underlying investments of the pooled investment vehicles are exposed to interest rate or other price risks.

As at 31 March 2023, the Trustee had set a benchmark for total investment in LDI of 55.8% of the total investment portfolio that, using a derivatives overlay, provides exposure to the equivalent of 111% of the Scheme's assets. Under this 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 the actuarial liabilities because of an increase in the discount rate.

At the year end the (physical) LDI portfolio represented 53.6% (2022: 53.7%) of the total investment portfolio. This variance from the target asset allocation is deemed to be within an acceptable range and will vary depending on normal market movements.

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes UK and overseas equities, real assets, fixed income, alternative credit, diversifying strategies, hedge funds, equity options and private equity.

As at 31 March 2023, the Scheme had set a target asset allocation of 44.2% of investments being held in return-seeking investments. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the return seeking portfolio represented 46.4% (2022: 46.3%) of the total investment portfolio.

Notes to the Financial Statements

20. Current assets

	2023 £'000	2022 £'000
Bank balances	2,490	4,761
VAT recoverable	277	92
Sundry	175	-
Contributions due from employer in respect of:		
Employer	3,525	5,225
	6,467	10,078

The expenses contributions due at 31 March 2023 of £125,000 (2022: £125,000) were received by the Scheme subsequent to the year end within the timescale stipulated in the Schedule of Contributions certified by the Scheme Actuary on 7 December 2022.

£3,400,000 of deficit funding contributions in respect of the period October 2021 to March 2022 are deferred and were paid at a rate of £850,000 per month from April 2023 to July 2023.

21. Current liabilities

	2023 £'000	2022 £'000
Due to HMRC - PAYE	464	418
Unpaid benefits	436	342
Accrued expenses	741	833
	1,641	1,593

22. Related party transactions

During the year, fees, expenses and salaries were paid to the following directors of the Trustee of the Scheme, Northern Foods Trustee Limited: A C Wadley £72,135 (2022: £91,401), C L de Arostegui £nil (2022: £2,726), S Irons £20,010 (2022: £26,594), R Kay £13,804 (2022: £13,259), J Searle £831 (2022: £142) and S Imeson £18,503 (2022: £19,762). As at 31 March 2023 £8,688 (2022: £9,701) in respect of directors' fees, expenses and salaries was outstanding.

There were also the following related party transactions in respect of Scheme administrative costs paid by the Employer and not recharged to the Scheme. Fees of £78,469 (2022: £134,749) were paid by Northern Foods Limited to Independent Trustee Services Limited for their services during the year.

All those who were Trustee directors during the year except C Martin of Independent Trustee Services Limited, S Irons and J Searle are members of the Scheme, and their benefits under the Scheme are calculated in line with the Scheme rules.

23. Self investment

The Scheme has no exposure, either directly or indirectly, to 2 Sisters Food Group (the owner of Northern Foods Limited) as a result of its investments.

24. Concentration of investments

The following investments account for more than 5% of the Scheme's net assets at the end of the year:

Towers Watson Investment Management Alternative Credit Fund £38,512,000 4.67% (2022: 5.04%)
 Insight Segregated Bond/Swap Liability Hedging Portfolio £435,796,000, 52.81% (2022: 52.25%)
 BNY Mellon Cash Instruments £60,108,000, 7.28% (2022: 1.01%)

Notes to the Financial Statements**25. Contingent liabilities****GMP Equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issues will affect the Scheme and will be considering this at 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.

The Trustee is reviewing, with its advisers, the implication of these rulings in the context of the Scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements.

Any liabilities arising will be accounted for in the year they are determined.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. It is not possible to reliably estimate the value of any such adjustments at this point in time. Any liabilities arising will be accounted for in the year they are determined.

26. Contingent assets

The Trustee reached an agreement with the principal employer, having taken advice from its covenant, actuarial and legal advisors, to defer the employer contributions payable to the Scheme for the six months to 31 March 2022 and that these contributions would be repaid by the payment of an additional £850,000 per month between 1 August 2022 and 31 July 2023. The additional amount of £850,000 due in both August and September 2022 was paid. The repayment period was then revised to between January 2023 and July 2023. The deferrals were agreed with the Company to help its cash flow in a challenging trading environment.

In reaching this agreement the Trustee signed agreements which gave them a legal charge (1) over the property known as Fox's Biscuits Factory, Cheadle Road, Uttoxeter and (2) over an escrow account with Bank of New York Mellon which collectively represented 50% of the contributions due to the Scheme. These are contingent assets which act as security for any unpaid contributions. An additional £500,000 was paid into the escrow account in consideration of, and as security for, the Trustee agreeing to the further deferral of deficit funding contributions as stated in the Deed of Amendment dated 6 December 2022, relating to the Second Deferral Agreement. Amounts deposited within the escrow account were released during the year and post yearend in accordance with the Deed of Amendment dated 6 December 2022.

Boparan Holdings Limited (part of the Northern Foods Group) have entered into a guarantee with the Trustee to guarantee to them the punctual performance by Northern Foods Limited of all its guaranteed obligations. Following the non-payment of any guaranteed obligations by Northern Foods Limited when due, Boparan Holdings Limited must pay any such amounts to the Scheme within 10 business days of the first written demand by the Trustee.

Notes to the Financial Statements

27. Capital commitments

There were financial commitments as at 31 March 2023 (2022: £30,225,787 remaining) for the ongoing funding of certain investment managers on a drawdown basis out of existing assets as follows:

	Currency	Committed	Drawn	Remaining
Fortress	USD	\$11,500,000	\$10,145,106	\$0*
Fortress III	USD	\$11,500,000	\$14,962,521	\$0*
American Securities V	USD	\$40,000,000	\$37,531,600	\$0*
American Securities VI	USD	\$16,000,000	\$17,938,313	\$1,704,748
Cerberus	USD	\$12,500,000	\$11,284,103	\$0*
ECP	USD	\$16,500,000	\$18,321,976	\$2,469,545
GSAM	USD	\$35,000,000	\$28,595,281	\$0*
HgCapital 6	GBP	£20,000,000	£18,746,918	£0*
HgCapital 7	GBP	£10,000,000	£8,451,124	£344,833
Cabot Square	GBP	£13,000,000	£12,330,401	£1,702,096
Brockton	GBP	£8,000,000	£7,886,664	£0*
Silverpeak	USD	\$11,440,000	\$9,776,865	\$0*
Partners	EUR	€ 15,000,000	€ 14,227,237	€0*
Equitix	GBP	£17,000,000	£16,760,472	£239,528
Alinda	USD	\$23,000,000	\$21,200,034	\$0*
Ancala	GBP	£13,000,000	£13,113,721	£209,353
Equis	USD	\$16,000,000	\$10,156,707	\$957,743
Hayfin	EUR	€ 15,000,000	€ 15,000,000	0
BlackRock	GBP	£17,500,000	£17,500,000	£0*
Long Harbour	GBP	£13,000,000	£12,593,116	£406,884
Mariner	USD	\$18,600,000	\$26,082,576	\$127,088
Greenstone	USD	\$11,627,907	\$11,002,667	\$625,240
NSSK	JPY	¥1,750,000,000	¥1,551,881,005	¥198,118,995
Fprop	GBP	£15,000,000	£9,701,752	£7,978,311
Folium (Agriculture)	USD	\$10,000,000	\$9,852,092	\$147,907
Folium (Timber)	USD	\$10,000,000	\$10,000,000	\$0
Equilibrium (Agriculture)	USD	\$21,600,000	\$22,276,755	\$1,894,050
LJ Capital (Alvarium)	GBP	£19,100,000	£19,100,000	£0
Alpha Real	GBP	£26,200,000	£21,791,913	£4,408,087
Knight Frank	GBP	£21,600,000	£21,600,000	£0
Brawn	JPY	¥730,000,000	¥147,858,181	¥582,141,819
True North	GBP	£8,000,000	£4,737,258	£3,262,742
Subtotal \$	USD	\$265,267,907	\$259,126,596	\$7,926,321
Subtotal €	EUR	€ 30,000,000	€ 29,227,237	€ 0
Subtotal £	GBP	£201,400,000	£184,313,338	£18,551,834
Subtotal ¥	JPY	¥2,480,000,000	¥1,699,739,186	¥780,260,814
Total £ equivalent	GBP	£457,368,938	£430,213,894	£29,703,246

* Manager expectations are that no further drawdowns will be called on these investments therefore the table does not cast in respect of these items.