MERCHANT NAVY OFFICERS PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

Registrar of Occupational and Personal Pension Schemes Registration Number 10005645

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TRUSTEE AND ADVISERS

Trustee
MNOPF Trustees Limited

Trustee Directors

Employer Directors

R Murphy (Chair)
E Jones
M MacDonald

Officer Directors

M Jess (Vice-Chair)
A Dickinson
O Tunde

Registered office of the Trustee
100 New Bridge Street
London
EC4V 6JA

Executive support and contact for employer enquiries
Rock Pensions
employer.enquiries@mnopf.co.uk

Solicitors
Baker & McKenzie LLP

Independent External Auditor
Grant Thornton UK LLP

Independent Internal Auditor
Crowe U.K. LLP

Custodian
The Bank of New York Mellon SA/NV

Bankers
National Westminster Bank Plc

Employer Covenant Adviser
PricewaterhouseCoopers LLP

Scheme Actuary
K Farnum, Willis Towers Watson Limited

Address for member enquiries
myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester. M32 0FP.
enquiries@myMNOPFpension.co.uk

Fund Administrators
Mercer Limited

Delegated Chief Investment Officer
Willis Towers Watson Limited

Independent Investment Adviser
Hymans Robertson LLP (until 30 April 2023)
Rock Pensions (appointed on 1 May 2023)

Investment Managers
Advent International
American Securities
Atlas Infrastructure
Avitah Capital LLP
BlackRock
Campbell & Company LP
Capstone Investment Advisors LLC
CarVal Investors (CVI)
Clean Energy Transition LLP
Colchester Global Investors
Crabel Capital Management LLC
Dymon Asia Capital
Energy Capital
Equis Funds Group
First Property Asset Management (FProp)
FSSA Investment Managers
Fulcrum Asset Management
Goldman Sachs Asset Management (GSAM)
Graticule Asset Management Asia
Hayfin Capital Management LLP
Insight Investment
Maniyar Capital
Morgan Stanley Investment Management (MSIM)
Oaktree Capital Management
Resolution Capital
SC Capital Partners Pte. Ltd
Sands Capital Management
Southeastern Asset Management
State Street Global Advisors (SSgA)
Towers Watson Limited (trading as Willis Towers Watson)
Veritas Asset Management

AVC Providers
Utmost Life and Pensions Ltd
Standard Life Assurance Company Ltd

The AVCs were transferred from the Trustee of the Ensign Retirement Plan on 16 June 2022

Bulk Annuity Providers
Legal & General Assurance Society Limited
Pension Insurance Corporation plc

CHAIR'S INTRODUCTION

Welcome to the Annual Report and Financial Statements for the Merchant Navy Officers Pension Fund (referred to hereafter as the "Fund" or "MNOPF") for the year ended 31 March 2023.

Fund performance

Assets and liability values decreased significantly over the year ending 31 March 2023, with the value of liabilities declining due to the sharp increase in gilt yields and the value of assets reducing mainly due to the increase in gilt yields and the value of most return seeking assets also declining in value over the year.

Gilt prices have a big impact on defined benefit pension funds because they provide long term cashflows to meet benefit payments over many years and their price is used to place a value on pension liabilities. The sudden slump in the gilts market in September 2022 forced many pension funds to sell more gilts than planned, sending prices downwards and yields upwards. Ultimately this resulted in the Bank of England stepping in temporarily to prevent a potential vicious cycle of falling prices.

The MNOPF, in common with many pension funds, rebalanced its portfolio in the light of the extreme market moves. It was these factors that had the biggest influence on funding level performance over the year. The funding level for the year fell from 102% (as at 31 March 2022) to 99% by 31 March 2023. Nevertheless, the overall funding position remains at a level where member benefits are secure.

During the fund year £1.2m of deficit contributions were collected from employers, leaving £0.6m still to be collected.

The Financial Risk of Climate Change

Climate change presents financial risk to the global economy. Financial markets need clear, comprehensive information on the impacts of climate change. To deliver this, the Financial Stability Board (an international monitoring body that monitors and makes recommendations about the global financial system) created the Taskforce on Climate-Related Financial Disclosures ("TCFD") to improve and increase the reporting of climate related financial information.

The TCFD has developed a framework to help organisations, such as the MNOPF, more effectively disclose climate-related risks and opportunities. To comply, the Trustee must disclose the actual and potential impacts of climate risks on the Fund's investment and funding strategy.

Regulations putting in place the TCFD disclosures apply to the MNOPF for the first time this year. The Trustee has worked with the Delegated Chief Investment Officer, Willis Towers Watson, to produce its first report which will be available on the MNOPF website when published. This builds on the Trustee's long-term commitment to include consideration of financially material environmental, social and governance factors (including climate change) in its investment and funding strategy.

Scam Pledge

The MNOPF continues to be concerned about pension scams and has taken The Pension Scams Pledge. This means the Fund is committed to taking robust steps to do all it can to prevent members from becoming victims of scams. More information on the pledge is available on the MNOPF website (https://www.mnopf.co.uk/MNOPF_Pension_Pledge.html).

Another year of uncertainty and volatility in investment markets has checked back the Fund's good progress towards its long-term goal of securing an uplift of at least 3% to member benefits by 30 June 2026. Nevertheless, the MNOPF's approach of forward-thinking investment strategies, integrated risk management and effective governance means the Fund is agile and robust enough to reduce the impact of the recent significant external pressures.

Rory Murphy

Chair, MNOPF Trustees Limited

TRUSTEE'S REPORT

The Board of MNOPF Trustees Limited (referred to hereafter as "the Trustee") is pleased to present the 85th Annual Report of MNOPF for the year ended 31 March 2023. The Annual Report includes the Chair's Statement, Trustee's Report, Investment Report, Statement of Trustees Responsibilities, Financial Statements and Notes, the Independent Auditor's Report, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Actuarial Certificates and the Member's Information.

The Annual Report sets out how the Fund is run, how the assets are invested, and the financial activity of the Fund in the year to 31 March 2023.

The Annual Report also contains the Annual Implementation Statement. For Funds such as the MNOPF which provide defined benefits, the purpose of this statement is to set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy has been followed during the year and to 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, stating any use of the services of a proxy voter during that year.

Constitution and changes to the Fund.

On 17 June 2019, a new set of Trust Deed and Rules were executed, by which the Fund is now regulated ("the Rules"). The Trustee, which is a corporate trustee, manages the Fund with the aim of providing pension benefits for Officers in the British Merchant Navy, and their dependants.

The MNOPF was contracted-out of the State Second Pension under the provisions of the Occupational Pension Schemes (Contracting-Out) Regulations 1996 until 31 March 2016 when the Fund closed to future defined benefit accrual. The Fund currently provides defined benefits for over 23,000 members and their dependants. On 1 August 2015, the Fund introduced money purchase benefits and, on 1 April 2016, opened a Money Purchase Section. From 31 March 2018, the Money Purchase Section was closed to new contributions and, on 11 May 2018, all benefits in the Money Purchase Section designated to members were transferred, by bulk transfer without member consent, to the Trustee of the Ensign Retirement Plan. The Money Purchase Section was wound up through the signing of a deed of termination on 10 October 2018.

The Annual Report and Financial Statements are available to members through the website www.mnopf.co.uk.

Management of the Fund

The Trustee is responsible for the strategy, management and decisions relating to financial, legal and administrative issues. There is provision on the Board of the Trustee for between four and fourteen Directors, split equally between Employer Directors and Officer Directors. Employers and members are represented by Employer Directors and Officer Directors respectively. A list of Board Directors is shown on page 2.

Trustee Directors are appointed and re-appointed in accordance with the Trustee's Articles of Association, the MNOPF's Trust Deed and Rules and an approved policy. In accordance with this policy, Officer Directors are nominated by the officers' representatives on the Joint Officers' Pension Committee, and Employer Directors are nominated by the employers' representatives on the Joint Officers' Pension Committee. Trustee Directors are subsequently appointed in accordance with the Articles of Association. A Director may appoint an Alternate Director to attend meetings in his place. Trustee Directors are removed in accordance with the Trustee's Articles of Association.

TRUSTEE'S REPORT (CONTINUED)

Attendance at Board meetings

A summary of meetings held and Trustee Directors' attendance during the year ended 31 March 2023 is as follows:

	Board	
	Eligible to attend	Attended
R Murphy (Chair)	6	6
M Jess (Vice-Chair)	6	6
A Dickinson	6	6
E Jones	6	5
M MacDonald	6	5
O Tunde	6	6

Conflicts of Interest

All the Directors have signed a Conflicts of Interest Protocol which, in summary, provides for the notification of potential conflicts of interest and the approach to the management of such conflicts. The Protocol also sets out the Directors' responsibilities in relation to confidentiality. This document is reviewed at regular intervals.

Risk Management

The Trustee has overall responsibility for risk management and internal controls. It is committed to identifying, evaluating and managing risk through the implementation and maintenance of control procedures to mitigate significant risks. A risk register, which takes into account the strategic objectives identified by the Trustee, is maintained to:

- highlight the risks to which the Fund is exposed;
- assess those risks in terms of likelihood and impact; and
- identify actions that are either currently being taken, or that the Trustee considers should be taken, in order to mitigate the identified risks.

The Trustee's approach to Integrated Risk Management is to consider integrated risk as part of the actuarial valuation and covenant review process. Following the most recent actuarial valuation, as at 31 March 2021, core integrated risks were:

- a fall in growth assets;
- increased longevity;
- a fall in interest rates: and
- a rise in inflation

None of these risks were seen as significant in the context of the MNOPF Journey Plan and any potential risks associated with key Participating Employers are picked up through the MNOPF's ongoing covenant monitoring processes.

TRUSTEE'S REPORT (CONTINUED)

Bulk Annuity Policies

In December 2017, the Trustee agreed an annuity buy-in policy with Legal & General and, in February 2020 and November 2021, annuity buy-in policies were agreed with Pension Insurance Corporation. All policies are held in the name of the Trustee and members' pension benefits continue to be paid by the Trustee. As at 31 March 2023, a final premium/repayment is due under each of the two buy-in policies with Pension Insurance Corporation. The final premiums/repayments will be determined once data cleansing has been finalised.

Advisers and Service Providers

Rock Pensions

Rock Strategic Consulting Ltd (trading as Rock Pensions) provides executive services to the Trustee. Rock Pensions is an independent company that provides executive services to employers and trustees. Rock Pensions works with the Trustee on developing the Fund's strategy, implementing the Trustee's decisions and supervising the day-to-day running of the Fund. Rock Pensions was also appointed as Independent Investment Adviser with effect from 1 May 2023.

Ensign Pensions Limited

Ensign Pensions Limited is a company wholly owned by the Trustee. Ensign Pensions provided a limited range of services to the Trustee during the year to 31 March 2023, including certain IT and information storage services.

Administration

The Fund is administered by Mercer. In June 2023 Mercer announced sale of its UK pension administration to Aptia, which is expected to close in quarter four of 2023. Enquiries about the Fund generally or about an individual's entitlement to benefits should be sent to the address shown at the beginning of this report.

Scheme Actuary

K Farnum is the appointed Scheme Actuary.

Contributions

Summary of Contributions

The amounts due under the Schedule of Contributions as recognised in the Financial Statements are:

Due under the Schedule of Contributions	**31 March 2023** **£m**
Employers' defined benefit deficit contributions	0.9
Total recognised in the Financial Statements	**0.9**

Normal contributions

In previous years, members' and employers' normal contributions have been received in respect of active members in accordance with the Schedule of Contributions of the Fund and the Trust Deed and Rules. The Fund closed to future defined benefit accrual on 31 March 2016. No normal contributions were therefore due or received into the Fund during the year to 31 March 2023 or in the previous year.

TRUSTEE'S REPORT (CONTINUED)

Additional Voluntary Contributions ("AVCs")

The Trustee previously had AVC arrangements with Equitable Life (which were subsequently transferred to Utmost Life and Pensions) and Standard Life, and members accruing benefits on a defined benefit basis were able to contribute AVCs until the Fund closed to future defined benefit accrual on 31 March 2016. Following the closure of the Money Purchase Section to new contributions, with effect from 31 March 2018, a bulk transfer of member's benefits, including those held in the AVC policies, to the Trustee of the Ensign Retirement Plan took place. On 11 May 2018, the Trustee gave final agreement to the transfer of the AVC policies to the Trustee of the Ensign Retirement Plan through the signing of two deeds of assignment.

The Trustee of the Ensign Retirement Plan approached the Trustee in early 2022 regarding its plans for the future and in particular to seek confirmation from the Trustee that it would be willing to accept the transfer back of the AVC policies into the MNOPF in the event that a triggering event occurred, and the Ensign Retirement Plan was wound up.

On 29 March 2022, the Trustee considered the request and agreed in principle to receive a bulk transfer from the Trustee of the Ensign Retirement Plan in respect of the members benefits in the remaining AVC policies, subject to the receipt of certain confirmations and relevant legal requirements being met. Following the receipt of the confirmations and the execution of an amendment to the MNOPF Trust Deed and Rules on 23 May 2022, the Trustee gave final agreement to the transfer, through the signing of a merger deed and two deeds of assignment which were effective on 16 June 2022.

Following the transfer of the existing AVC policies and accrued funds back to the MNOPF on 16 June 2022, no further AVCs were paid to the Fund during the year to 31 March 2023.

Deficit contributions

Following the 2009 and 2012 valuations, the Scheme Actuary certified Schedules of Contributions which established recovery periods ending in September 2020 and September 2023 respectively. The Schedule of Contributions certified by the Scheme Actuary following the 2021 valuation states that the last payment under these schedules is due to be made by 30 September 2023. As at 31 March 2023, a capital balance of £0.6 million was outstanding (2022: £1.9 million) and payable over the period to 30 September 2023. Of this amount, £0.2 million was due during the fund year, but has been deferred with the agreement of the Trustee and remains scheduled for payment by 30 September 2023.

Covenant Monitoring

The Trustee continues to monitor the employer covenant strength of employers. The Trustee adopted a new Covenant Monitoring Policy in October 2019, setting out the monitoring process, key metrics and reporting framework for ongoing covenant monitoring. This policy focuses covenant monitoring activities on those employers who carry the highest risk to the Fund. The Covenant Monitoring Policy was reviewed as part of the actuarial valuation, as at 31 March 2021. The review recommended some minor changes to covenant monitoring which have been implemented. These changes reflected the overall reduction in risk due to the improved funding status of the MNOPF and the successful collection of most deficit contributions.

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Fund as at 31 March 2023 are given below:

	2023	2022
PENSIONERS		
Opening balance	17,595	17,483
Adjustments to pensioners*	(20)	36
New pensioners/dependants	629	578
Pension ceases	(632)	(502)
PENSIONERS AT THE END OF THE YEAR^	17,572	17,595
MEMBERS WITH DEFERRED BENEFITS		
Opening balance	4,845	5,347
Adjustments to members with deferred benefits*	3	(50)
MEMBERS CEASING TO BE DEFERRED		
Transfers out	(26)	(40)
Death	(26)	(30)
Retirement	(408)	(353)
Other+	(26)	(27)
New pension credit members	2	-
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	4,364	4,845
TOTAL MEMBERSHIP AT THE END OF THE YEAR~	21,936	22,440

*Adjustments are members whose status has been changed where the change relates to a previous year.

^Included within pensioners are 2,205 (2022 restated: 2,202) pensioners whose pensions are paid from the Legal & General annuity buy-in policy; 12,019 (2022: 12,498) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in policy and 1,800 (2022: 1,815) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in 2 policy, all of which are held in the name of the Trustee.

+Other are members who took a trivial commutation in the period.

~The total number of members are split into Pensioners: 13,283 (2022: 13,343), Dependants: 4,276 (2022: 4,252) and Members with deferred benefits: 4,364 (2022: 4,845).

Pension Benefits

Overpaid Pensions

The Trustee must ensure that pensions are paid to the correct recipient. Pensions payable from the MNOPF cease on the death of the recipient or, in the case of dependent children, when they cease to meet the criteria for receiving a dependent child's pension. Under Rule 25A of the Trust Deed and Rules, the Trustee has the power to treat any instalments of pension paid after the death of a member as a pre-payment of any widow(er)'s pension.

All members and beneficiaries are asked to note that the Trustee will take action to recover benefits that have been overpaid. In cases where false representations have been made, the Trustee will usually report the incident to the police, which could lead to prosecution of the individuals involved.

TRUSTEE'S REPORT (CONTINUED)

Transfer Values

The transfer payments paid during the year were calculated in accordance with the regulations under the Pensions Schemes Act 1993 and the Pensions Act 1995 as appropriate. There is no allowance for discretionary pension in payment increases. Transfer payments represented the full "cash equivalent" value of the accrued benefits.

The Rules of the Fund allow transfers to other registered occupational pension schemes and personal pension plans. The Trustee receives a statutory discharge from any further liability once a transfer has been made to another pension arrangement.
The Trustee also accepts transfers in from other registered occupational pension schemes on a discretionary basis.

Discretionary Pension Increases

The Trustee is required to consider, at least annually, whether it can grant discretionary increases to pensions under Rule 9.2.2 of the Trust Deed and Rules, having taken the advice of the Scheme Actuary. After reviewing the Scheme Actuary's advice based on the funding levels at 31 March 2022, the Trustee did not consider it appropriate to grant a discretionary increase to pensions in April 2023 whilst maintaining a sufficient level of security for all members' benefits.

Statutory Pension Increases

Certain increases to pensions are required by legislation.

- Guaranteed Minimum Pensions in payment earned from 6 April 1988 to 5 April 1997 were increased in April 2023, as required, by 3.0% and pensions in payment relating to service from 1 April 1997 were increased in April 2023, as required, by 5.0%.
- Increases to deferred pensions are made in accordance with the Trust Deed and Rules and depend on the date of leaving pensionable service. During the year, there was no increase to deferred pensions for members who left service prior to 1 January 1986 as required by the Rules and, for those leaving after that date, increases were made by application of the statutory revaluation percentage to the whole of the deferred pension.

Full details of the pension increases that applied at April 2023 can be found on the website www.mnopf.co.uk

Data Review

The Trustee is continually reviewing member data. The approach to this work is consistent with the record-keeping guidance issued by The Pensions Regulator.

Forfeited Benefits

The Rules permit the Trustee to treat benefits as forfeited in certain circumstances if a member's whereabouts is unknown, although the Rules also give the Trustee discretion to reinstate forfeited benefits if the member's whereabouts becomes known at a later stage.

Investment Management

The Trustee has overall responsibility for the investment of the Fund's assets in accordance with the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has agreed a Statement of Investment Principles ("SIP"), in accordance with section 35 of the Pensions Act 1995, which sets out the investment strategy and policies for the MNOPF. Certain powers and responsibilities for the implementation of the Trustee's investment strategy have been delegated to the Delegated CIO. The SIP was reviewed during the 2022/23 Fund year and minor amendments were made in September 2022. A copy of the latest SIP is available on the website www.mnopf.co.uk

The SIP sets out the Trustee's approach to socially responsible investment and corporate governance. In the context of socially responsible investment, the Trustee has considered how environmental, social and governance factors, including climate change, should be taken into account in the investment process, and seeks to understand the extent to which steps are taken by the investment managers to incorporate these factors into their investment process.

The Trustee's focus is explicitly on financially material considerations in the selection, retention and realisation of investments, and the Trustee's policy at this time is not to take into account non-financial matters explicitly. However, the Trustee supports and actively encourages investments with a positive social and environmental impact.

TRUSTEE'S REPORT (CONTINUED)

Investment Management (continued)

In the context of corporate governance, the Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers, although believes voting power should be exercised with the objective of preserving and enhancing long-term shareholder value. The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records.

The Trustee regularly assesses the performance of the Fund's investments against its investment objectives. Day-to-day monitoring of the investment manager performance is delegated to the Delegated CIO, and the Trustee receives reports on a quarterly basis on progress against the Fund's journey plan. Performance of the Fund's investments over the year are detailed in the Investment Report (see page 12). The holdings at the year-end were in accordance with the SIP.

The Trustee is satisfied, on advice from its investment advisers, that the nature, disposition, marketability, security and valuation of the Fund's assets are in line with the investment objectives and strategy, risk controls and return expectations. There are no restrictions on the marketability of any holdings.

During the year (traded 1 April 2022 and settled 18 May 2022), the Fund divested its holding in the Towers Watson Limited Hedge Advantage Fund and subsequently invested some proceeds directly in some of the individual funds that fund had holdings in. These are managed by Campbell & Company Inc., Clean Energy Transition, Crabel Capital Management LLC, Graticule Asset Management Asia, Maniyar Capital and Avitah Capital LLP.

The Fund also invested in funds during the year from the following asset managers: ATLAS Infrastructure, Fulcrum Asset Management and Insight.

Custodian

All the Fund's segregated investments are held under custodial arrangements with Bank of New York Mellon, with the exception of pooled investments and the bulk annuity buy-in policies with Legal & General and Pension Insurance Corporation. The pooled investment vehicle investment managers are responsible for putting in place their own custody arrangements.

Actuarial Review

The Financial Statements set out on pages 19 to 38 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Fund, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Fund and the level of contributions payable. The most recent triennial valuation was carried out at 31 March 2021 and the next valuation will be as at 31 March 2024 and which will be communicated to members and employers early in 2025.

The Scheme Actuary has prepared a report on the actuarial liabilities. This is included on pages 39 and 40 of this report. The formal actuarial certificate from the Scheme Actuary required by statute is also included in this Annual Report and appears on page 42. These form part of the Trustee's report.

Guaranteed Minimum Pensions ("GMP")

On 26 October 2018, the High Court handed down a judgment that concluded that benefits between men and women must be equalised in respect of GMP for contracted out service after 17 May 1990. Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would 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. Whilst the judgements related to the Lloyds Banking Group scheme, they are expected to create a precedent for other UK DB pension schemes.

The Trustee has a project in progress to equalise members' GMP benefits for the relevant period of service which includes historic transfer payments made since 17 May 1990. The Scheme Actuary and the Trustee agreed it prudent to include provision within the actuarial valuation as at 31 March 2021 of 0.6% of total liabilities for the equalisation of GMP benefits

TRUSTEE'S REPORT (CONTINUED)

in the Fund. No provision has been made within the financial statements, due to the lack of a reliable estimate and the uncertainty of the amount accrued to date.

Financial development of the Fund

The Financial Statements of the Fund for the year ended 31 March 2023, as set out on pages 19 to 38 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995. A Summary of the Fund's Financial Statements is set out on the table below.

	2023
	£m
Net withdrawals from dealings with members	**(158.3)**
Net returns on investments	**(692.2)**
Net decrease in the Fund during the year	**(850.5)**
Net assets of the Fund at 1 April 2022	**2,956.8**
Net assets of the Fund at 31 March 2023	**2,106.3**

Further information

Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

Employer Enquiries

Rock Pensions

Email: employer.enquiries@mnopf.co.uk

This report, including the Investment Report, Statement of Trustee's Responsibilities, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Member's Information, was approved by the Trustee on 26 September 2023 and signed on its behalf by:

Rory Murphy

Chair, MNOPF Trustees Limited

INVESTMENT REPORT

Investment returns

Investment return relative to liabilities in conjunction with deficit contributions, leads to funding level progress.

The Fund's primary investment objective is to outperform its liabilities. Over the 12 months to 31 March 2023, the Fund generated a return of -31.6%, this was in comparison to the liability benchmark which saw negative performance of -25.6%. As a result the Fund underperformed its benchmark by 6.0% over the year, with the funding level declining over the year. The core driver of this negative performance was the period of unprecedented volatility within the UK gilt market. One of the primary drivers for this was uncertainty over the Government's plans for the economy and possible significant increases in the level of Government borrowing. This uncertainty, combined with the need for investors (and UK pension schemes in particular) to collateralise the exposures within their LDI programmes resulted in sharp increases in gilt yields towards the end of September 2022 and consequently a decline in the LDI portfolio. On the 28 September 2022, the Bank of England announced that it would purchase UK Government bonds, restoring some liquidity and confidence to the market and breaking the upward cycle on yields. Gilt yields further increased in volatility during October 2022, resulting in a sharp decline of the Fund's LDI portfolio. In order to rebalance the Fund's asset allocation and maintain a sufficient amount of collateral within the LDI portfolio, redemptions were made across the return seeking portfolio. These redemptions, coupled with a reduction in the interest rate protection led to negative returns over the period for the Fund.

Over the longer-term, the Fund has underperformed the liabilities by 0.5% and 0.7% pa over the past three and five years (since February 2020, the performance has been measured excluding the buy-in assets). This underperformance was predominantly driven by the negative performance over the past 12 months as described in the previous paragraph.

The table below shows the Fund's investment performance as measured by the independent performance measurer over one year and longer periods against the gilts-based liabilities.

To 31 March 2023	One Year (%)	Three years (% pa)	Five years (%pa)
Fund Return	-31.6	-12.9	-5.7
Gilts-based liabilities	-25.6	-12.4	-5.0
Relative	-6.0	-0.5	-0.7
Volatility (tracking error)	4.4	3.5	2.9

Fund performance is shown net of underlying manager fees and Delegated CIO fees.

The chart below shows the Journey Plan progression from 31 March 2012. The Journey Plan was restated on:

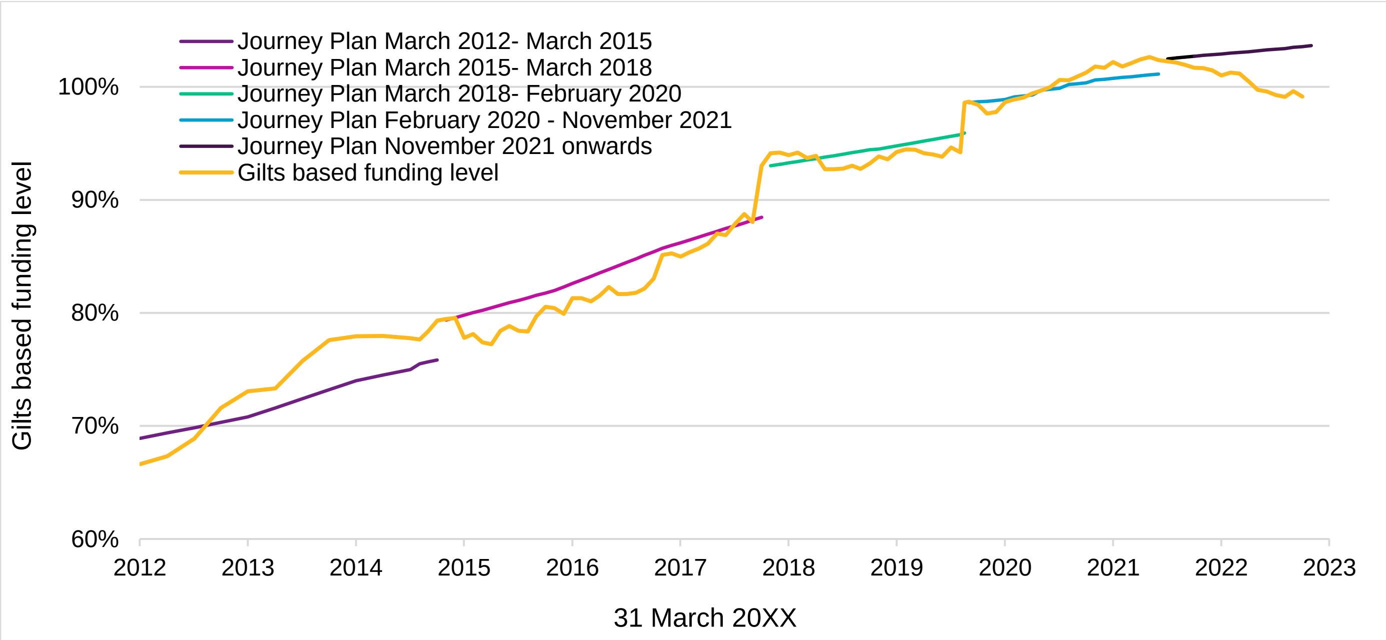
- 31 March 2015 - to reflect the Fund's strong performance over the previous three-year period,
- 31 March 2018 - to reflect the increase in funding level following the Actuarial Valuation,
- 14 February 2020 - to reflect the material change in investment strategy following the first Buy-In with PIC, and
- 19 November 2021 - to reflect the material change in investment strategy following the second Buy-In with PIC.

The gilt-based funding position has declined over the year to 31 March 2023, with the funding level now behind the journey plan. This is due to declines in equity, credit and LDI values, only partially offset by a fall in the value of the liabilities. Although the funding position has declined, we have been regularly rebalancing the portfolio over the year and are proactively planning and taking steps to ensure the portfolio has sufficient liquidity, in particular, making changes over time to how we manage the interest rate and inflation risk of the portfolio by increasing our collateral headroom. This will help to better balance managing short term liquidity risk and make the portfolio more robust against further market instability.

INVESTMENT REPORT (CONTINUED)

Investment returns (continued)

Investment returns



Market review – 12 months ending 31 March 2023

Summary

The second and third quarters of 2022 saw equity markets continue to fall as the sustained Russian invasion of Ukraine and prolonged inflationary fears dominated the equity market. The conflict in Ukraine drove inflation higher, with oil and commodity prices continuing to rise as a consequence of the ongoing supply chain shortages. Bond yields continued to soar as central banks announced consecutive rate hikes, increasing recessionary fears and posing significant headwinds to bond valuations. Credit spreads widened amid fears that tighter monetary policy may undermine further economic growth prospects.

The fourth quarter of 2022 and first quarter of 2023 saw a rise in equity markets, largely driven by falling inflation over the quarter and increased optimism of avoiding a major recession. Major Central Banks eased the size of the increases in interest rates, providing some hope that the end to the tightening cycle may be soon approaching. Equity markets were boosted as investors weighed the decreasing likelihood of further rate hikes against strong earnings, a reopening China, and falling inflation. In bond markets, both investment grade and high-yield spreads decreased as investor sentiment improved despite rate hikes continuing to be implemented. Towards the end of the first quarter of 2023, a hot labour market and stickier-than-expected core inflation pressured central banks to continue increasing rates leading investors to price in higher-for-longer interest rates. In the UK, CPI decreased less than anticipated, finishing the quarter at 10.1% versus 10.5% at the end of 2022.

INVESTMENT REPORT (CONTINUED)

Equity markets

Over the 12 months to 31 March 2023, equity markets returned negative performance across North America, Developed Asia Pacific (ex-Japan) and Emerging Markets but was positive in other regions. The FTSE All World Index returned -0.7% whilst the FTSE Emerging Index returned -3.9% (both in sterling terms). FTSE All-Share Index returned 2.9% whilst Developed Europe (ex UK) was the best performing region with 8.5% (both in sterling terms).

Bond markets

UK government bond yields (which move inversely to bond price) increased over the 12 months to 31 March 2023. Long maturity UK gilts have returned -29.7% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -16.3%.

Inflation-linked gilt yields also increased over the 12-month period. Long maturity UK index-linked gilts returned -39.1% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -26.7%.

Over the past year, local currency emerging market debt outperformed hard currency emerging market debt returning 5.7% and -8.7% respectively.

Alternative investment markets

Commercial UK property (as measured by the IPD Monthly Index) has returned -14.9% over the 12 months to 31 March 2023.

Global Commodity Futures, as measured by S&P Goldman Sachs Commodity Index, returned -4.2% over the 12 months to 31 March 2023 in sterling terms.

Willis Towers Watson

7 July 2023

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the 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 Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

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

In discharging the above responsibilities, the 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 Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund 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 it to safeguard the assets of the Fund 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 revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund 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 Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the financial information of the Fund included on the Fund's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND

Opinion

We have audited the financial statements of the Merchant Navy Officers Pension Fund (the 'Fund') for the year ended 31 March 2023, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of 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 Fund 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 Regulations 3 and 3A of the Occupational Pension Funds (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 Fund 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

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Fund including effects arising from macro-economic uncertainties such as rising interest and inflation rates and the cost-of-living crisis, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

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 Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities set out on page 16, the Trustee is responsible for the preparation of 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Pensions Act 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Fund operates.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

We assessed the susceptibility of the Fund's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to:

- The risk of management override of controls through posting inappropriate journal entries to manipulate results for the year and net assets for the year.
- The valuation of Annuity insurance policies using a method not permitted under the SORP.

Our audit procedures involved:

- Journal entry testing, with a focus on large journals, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
- Use of our internal experts to challenge the reasonableness of the bulk annuity insurance policy asset valuation at the year-end produced by the Trustee's valuation experts and
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of Funds of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and understanding of the sector, the underlying applicable legislation and related guidance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities.](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 Fund's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund'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 Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
28/9/2023

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £m	2022 £m
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
- Employer		0.9	2.0
Total Contributions	4	0.9	2.0
Transfers in and other income	5	0.9	-
		1.8	2.0
Benefits paid or payable	6	(146.0)	(139.0)
Payments to and on account of leavers	7	(8.1)	(15.0)
Administrative expenses	8	(6.0)	(5.8)
		(160.1)	(159.8)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(158.3)	(157.8)
RETURNS ON INVESTMENTS			
Investment income	9	146.1	135.4
Investment management expenses	10	(5.2)	(3.3)
Change in market value of investments	11.1	(833.1)	(267.4)
NET RETURNS ON INVESTMENTS		(692.2)	(135.3)
NET DECREASE IN THE FUND DURING THE YEAR		(850.5)	(293.1)
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 1 APRIL		2,956.8	3,249.9
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 31 MARCH		2,106.3	2,956.8

The notes on pages 21 to 38 form an integral part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AT 31 MARCH 2023

	Note	2023 £m	2022 £m *(restated)
INVESTMENT ASSETS			
Bonds		368.0	556.9
Pooled investment vehicles	11.3	336.3	478.4
Derivatives	11.4	36.8	91.3*
Insurance policies	11.6	1,528.0	2,069.5
AVCs	11.7	0.7	-
Cash and other investment assets	11.8	3.7	73.3
		2,273.5	3,269.4
INVESTMENT LIABILITIES			
Derivatives	11.4	(14.1)	(11.0)*
Other Investment Liabilities	11.8	(158.7)	(306.9)
TOTAL INVESTMENTS	11	2,100.7	2,951.5
CURRENT ASSETS	13	17.3	16.1
CURRENT LIABILITIES	14	(11.7)	(10.8)
TOTAL NET ASSETS AT 31 MARCH		2,106.3	2,956.8

*The 2022 Derivatives have been restated following Accounting for Derivatives in Pension Schemes guidance published by PRAG in September 2022 which provided clarification of the accounting treatment of Derivatives. Therefore the 2022 disclosure has been restated by updating the swap split by contract rather than leg.

The financial statements summarise the transactions of the Fund 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 Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 39 and 40 and these Financial Statements should be read in conjunction with that Report.
The notes on pages 21 to 38 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 26 September 2023 and were signed on its behalf by:

R Murphy

Chair, MNOPF Trustees Limited

M Jess

Vice-Chair, MNOPF Trustees Limited

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The Trustee has performed a Going Concern assessment. Amongst other things, its assessment took into account the funding position, availability of liquid cashflows, the employers' ability to continue to fund Contributions and the strength of the insurers to continue to fund insured benefits. It also noted that there has been no decision made to wind up the Fund. On this basis the Trustee considers the Going Concern basis appropriate.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Fund is established as a trust under English law. Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

General Enquiries

Rock Pensions
employer.enquiries@mnopf.co.uk

3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Contributions

Payment profiles for deficit funding contributions are established with employers in line with the requirements of the Schedule of Contributions. Accordingly, employers' deficit funding contributions are recognised at the earlier of the date on which cash is received and the date the invoice is raised. An accounting adjustment is made for amounts falling due, but unpaid, if amounts are assessed as irrecoverable from a specific employer following all reasonable attempts to recover the amount due.

The accounting adjustment is recognised in administrative expenses. The subsequent treatment of the accounting adjustment for deficit funding collection purposes is considered by the Trustee in the context of the Deficit Collection Policy and the Guidelines for Defaulting Employers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.3 Benefits

Benefits are accounted for in the period in which they fall due.

Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of what form of benefit they will take or date of leaving or retirement if later. Where a member has no choice about the form of benefit, the benefit is accounted for in the period in which entitlement to the benefit arises.

Benefits covered under the buy-in policies are recognised in the same way as other benefits with the income from the buy-in policies to reimburse the Fund recognised under investment income.

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 receivable from the Fund, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

3.4 Transfers to and from other schemes

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

3.5 Valuation of investments

Investments are valued at fair value.

Fixed interest securities and index-linked securities are stated at their clean price, where applicable including the indexation element which is payable on maturity. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Unquoted securities are included at prices provided by third party pricing vendors where there is a traded market and at the Trustee's estimate of fair value where there is not a traded market. The Trustee's estimate is based on the valuation provided by the fund managers.

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

The Graticule Asset Management Asia Macro Hedge Fund is being wound up and the value at the year-end is made up of the first tranche of redemption proceeds received in April 2023 and the expected value of the residual investment by Willis Towers Watson Limited.

Derivatives are stated at fair value:

- Exchange traded derivatives are stated at fair value determined by using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market date at the reporting date.
- Over the counter ("OTC") derivatives are stated at fair value using pricing models and relevant market date at the year-end.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the year-end by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within change in market value.
- Receipts and payments arising from derivative instruments are reported as sale proceeds or investment purchases.

Repurchase agreements ("repo") - the Fund 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.5 Valuation of investments (continued)

The Fund's buy-in policies, shown under insurance policies have been valued on an insurance buy-out basis, as provided by the Insurer as at 31 March 2023. The Fund has three buy-in policies, one with L&G and two with PIC.

3.6 Additional voluntary contribution investments (AVCs)

The AVC investments are stated at their policy value based on the valuation confirmed by the AVC providers.

3.7 Investment income

Dividend income from equity shares is recognised when the Fund becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Interest income from bonds is taken into account on an accruals basis and includes interest bought and sold on investment purchases and sales.

Where investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles, it is reflected in the unit price and reported within change in market value of investments. On other pooled investment vehicles, income is recognised when notified by the manager of the pooled investment.

Investment income is reported net of attributable tax credits, but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Receipts from annuity policies held by the Trustee are accounted for as investment income on an accruals basis.

3.8 Currency

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

Foreign currency transactions are translated into sterling at the rate prevailing on the date of the transaction.

The market value of investments and other assets held and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising on the translation of investments are included in changes in market value.

3.9 Accounting estimates and judgements

No significant judgements have been made by the Trustee in the application of the principal accounting policies. Significant assumptions and estimates have been made in the valuation of the Fund's financial assets and liabilities classified as Level 3 under the fair value hierarchy and the accounting adjustment for contributions. Details of these financial assets and liabilities, the valuation techniques applied, and the significant valuation assumptions, are provided in Notes 4.2 and 12.9 of these financial statements.

Graticule Asset Management Asia ("Graticule") is one of six managers in the MNOPF's hedge fund portfolio. Following the market volatility, Graticule saw some disappointing returns which subsequently led to Graticule deciding to wind up the Fund prior to the year end on 31 March 2023. The risk exposures in Graticule's portfolio have now been reduced with positions being liquidated as the fund is being wound up, where almost all of the liquidation of portfolio positions has now been completed with a small number of residual positions remaining. In summary, the first tranche of proceeds was received by mid-April, representing the more liquid assets. The remaining assets in the portfolio are less liquid, consisting of five senior secured bonds with maturity dates between 2024 and 2026. Therefore, the valuation used for this fund at the year-end is made of the first tranche of redemption proceeds received in April 2023 plus the estimated residual investment by Willis Towers Watson Limited. In reaching the estimated value of the residual holdings, Willis Towers Watson considered

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.9 Accounting estimates and judgements (continued)

any reduction in the potential net realisable value at the year end. The valuation was therefore taken as at 31 March 2023 representing a reduction of the second tranche value to £2.7m.

3.10 Interest on repurchase agreements

The Fund 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.

4 CONTRIBUTIONS

	2023	2022
	£m	£m
Employers' Contributions		
Deficit funding contributions	0.9	2.0

Employer deficit funding contributions of £528 million were due under the Recovery Plans agreed following the 2009 and 2012 valuations. At 31 March 2023, a capital balance of £0.6 million is outstanding (2022: £1.9 million) and payable over the period to September 2023.

5 TRANSFERS IN AND OTHER INCOME

	2023	2022
	£m	£m
Other income	0.1	-
Group transfers in (AVCs)	0.8	-
	0.9	-

The AVCs were transferred in from the Trustee of the Ensign Retirement Plan on 16 June 2022.

6 BENEFITS PAID OR PAYABLE

	2023	2022
	£m	£m
Pension payments	136.6	130.2
Commutations and lump sum retirement benefits	9.2	8.4
Lump sums on death	0.2	0.4
	146.0	139.0

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£m	£m
Individual transfers out to other schemes	8.1	15.0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 ADMINISTRATIVE EXPENSES

	2023	2022
	£m	£m
Administration, processing and data management	4.0	3.6
Actuarial fees	0.2	0.2
Legal, other professional fees and deficit collection fees	1.7	1.9
External audit fees	0.1	0.1
	6.0	5.8

9 INVESTMENT INCOME

	2023	2022
	£m	£m
Income from bonds	8.3	13.9
Income from pooled investment vehicles	5.3	2.2
Income allocated to Old Section Reserve	0.6	0.1
Foreign exchange losses	2.5	(0.3)
Annuity income	124.2	117.0
Longevity hedge settlements	-	0.1
Other investment income	5.2	2.4
	146.1	135.4

Income from bonds includes Repos interest payable.

10 INVESTMENT MANAGEMENT EXPENSE

	2023	2022
	£m	£m
Administration, management & custody	5.2	3.3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENTS

11.1 Reconciliation of investments

Reconciliation of investments held at beginning and end of year:

	Note	Value at 1 April 2022	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 March 2023
		£m	£m	£m	£m	£m
Bonds		556.9	155.1	(147.6)	(196.4)	368.0
Pooled investment vehicles	11.3	478.4	1,082.2	(1,236.5)	12.2	336.3
Derivatives	11.4	80.3	78.7	(28.9)	(107.4)	22.7
Insurance policies	11.6	2,069.5	-	-	(541.5)	1,528.0
AVCs	11.7	-	0.8	(0.1)	-	0.7
		3,185.1	1,316.8	(1,413.1)	(833.1)	2,255.7
Cash deposits and other investment assets	11.8	73.3				3.7
Other investment liabilities	11.8	(306.9)				(158.7)
		2,951.5				2,100.7

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.

11.2 Transaction costs

Included within the purchases and sales figures are direct transaction costs of £0.3m (2022: £0.0m). Direct transaction costs incurred are analysed below:

	2023	2022
	£m	£m
Return-seeking	0.1	-
LDI	0.2	-
	0.3	-

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs due to the information not being available from the Fund managers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.3 Pooled investment vehicles

	2023	2022
	£m	£m
Equities	57.1	141.1
Bonds	-	32.7
Hedge	44.8	153.6
Private equity	25.4	32.6
Property	9.3	12.3
Absolute return	148.3	101.1
Cash	51.4	5.0
	336.3	478.4

11.4 Derivatives

The Trustee has authorised the use of derivatives as part of their investment strategy for the Fund as follows:

The derivatives held were all OTC and made of:

	2023	2023	2022	2022
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
			*(restated)	*(restated)
Swaps	35.9	(14.1)	91.3	(4.6)
Forward foreign exchange	0.9	-	-	(6.4)
	36.8	(14.1)	91.3	(11.0)

*Based on the recent guidance published by PRAG, derivatives are now being split by contract rather than leg, hence the restatement of prior year derivatives.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 Derivative contracts outstanding

Swaps

The Fund enters into swap contracts to hedge interest rate and inflation rate movements.

Contract	Expiration	Notional Currency Principal	2023 Asset £m	2023 Liability £m
Interest rate swaps	0-5 years	£8.0m	5.4	(3.7)
Interest rate swaps	6-10 years	£26.3m	5.3	(3.7)
Interest rate swaps	11-20 years	£13.3m	3.4	(5.7)
Interest rate swaps	21-30 years	£2.6m	2.2	(0.1)
Interest rate swaps	31-40 years	£6.8m	6.4	(0.4)
Inflation swaps	0-5 years	£22.4m	3.5	-
Inflation swaps	6-10 years	£35.3m	5.5	-
Inflation swaps	11-20 years	£29.8m	4.2	-
Inflation swaps	41-50 years	£2.8m	-	(0.5)
			35.9	(14.1)

Contract	Expiration	Notional Currency Principal	2022 Asset £m	2022 Liability £m
			*(restated)	*(restated)
Interest rate swaps	0-5 years	£19.9m	7.1	(0.9)
Interest rate swaps	6-10 years	£30.2m	14.5	-
Interest rate swaps	11-20 years	£38.3m	14.8	(2.5)
Interest rate swaps	21-30 years	£5.2m	2.5	-
Interest rate swaps	31-40 years	£88.6m	41.3	-
Inflation swaps	0-5 years	£18.1m	1.9	-
Inflation swaps	6-10 years	£21.1m	3.0	-
Inflation swaps	11-20 years	£48.3m	6.2	-
Inflation swaps	41-50 years	£2.8m	-	(1.2)
			91.3	(4.6)

At 31 March 2023, the counterparties of the interest and inflation swaps were five banks with credit ratings ranging from BBB+ to A+. (2022: five banks with credit ratings ranging from BBB+ to A+).

At 31 March 2023, the Fund held collateral in the form of cash and gilts at £23.8m value (2022: cash and gilts value £79.7m).

*The 2022 swap disclosure on Derivatives have been restated following Accounting for Derivatives in Pension Schemes guidance published by PRAG in September 2022 which provided clarification of the accounting treatment of Derivatives. Therefore the 2022 disclosure has been restated by updating the swap split by contract rather than leg.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 Derivative contracts outstanding (continued)

Forward Foreign Exchange Contracts

The fund enters into Forward Foreign Exchange contracts to hedge currency fluctuations as some investment holdings are denominated in foreign currencies.

Contract	Settlement Date	Currency Bought	Currency Sold	2023 Asset £m	2023 Liability £m
Forward (OTC)	1-6 months	USD63.0m	GBP51.8m	0.9	-
				0.9	-

Contract	Settlement Date	Currency Bought	Currency Sold	2022 Asset £m	2022 Liability £m
Forward (OTC)	1-6 months	USD407.6m	GBP303.3m	-	(6.4)
				-	(6.4)

11.6 Insurance policies

The Fund held insurance policies at the year-end as follows:

	2023 £m	2022 £m
L&G Buy in	311.1	484.6
PIC Buy in 1	970.1	1,252.7
PIC Buy in 2	246.8	332.2
	1,528.0	2,069.5

As at the end of the Fund year the pensioner population includes the following insured members:

- L&G Buy in – 2,205 (2022 restated: 2,202)*
- PIC Buy in 1 – 12,019 (2022: 12,498)
- PIC Buy in 2 – 1,800 (2022: 1,815)

*This amount has been corrected to amounts informed by the fund administrator recorded as 2,002 in the prior year.
A bulk insurance policy is valued at the fair value of the liability as calculated and provided by the insurer in accordance with the related obligation. The valuation is determined using assumptions over pension increases, inflation and interest rates and longevity.

11.7 Additional Voluntary Contribution (AVC) Investments

These are AVC investments which were transferred from the Trustee of the Ensign Retirement Plan on 16 June 2022.
At the reporting date the Trustee held assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.7 Additional Voluntary Contribution (AVC) Investments (continued)

The aggregate amounts of AVC investments are as follows:

	2023	2022
	£m	£m
Utmost Life and Pensions Ltd	0.6	-
Standard Life Assurance Ltd	0.1	-
	0.7	-

11.8 Cash deposits and other investment assets and liabilities

	2023	2022
	£m	£m
Assets		
Cash	3.7	71.4
Outstanding dividends, interest and other assets	-	1.9
	3.7	73.3
Liabilities		
Amount due under sale and repurchase contracts	(158.7)	(306.9)
	(155.0)	(233.6)

At the year-end £162.0m (2022: £290.0m) of bonds reported as Fund assets are held by counterparties under repurchase agreements. Collateral of £3.7m (2022: £18.1m) was received to cover the difference between the liability and the value of the bonds.

11.9 Fair value hierarchy

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

Level 1	The unadjusted quoted price for an identical asset in an active market
Level 2	Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.9 Fair value hierarchy (continued)

The fair value of the Fund's investment assets and liabilities has been determined using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
2023	**£m**	**£m**	**£m**	**£m**
Bonds	-	368.0	-	368.0
Pooled investment vehicles	51.4	39.8	245.1	336.3
Derivatives	-	22.7	-	22.7
Insurance policies	-	-	1,528.0	1,528.0
AVCs	-	0.6	0.1	0.7
Other investment balances	3.7	(158.7)	-	(155.0)
	55.1	272.4	1,773.2	2,100.7

2022	**£m**	**£m**	**£m**	**£m**
Bonds (restated)*	-	556.9	-	556.9
Pooled investment vehicles	5.4	141.3	331.7	478.4
Derivatives	-	80.3	-	80.3
Insurance policies	-	-	2,069.5	2,069.5
Other investment balances	73.3	(306.9)	-	(233.6)
	78.6	471.6	2,401.3	2,951.5

*The Trustee revisited the determination of fair value hierarchy and now consider Bonds to be Level 2 instead of Level 1

11.10 Investment risks

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

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

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

- Currency risk: this is the risk that the fair value 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 or 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objectives are to acquire suitable assets of appropriate liquidity which will generate income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

and capital growth to meet, together with contributions, the cost of benefits which the MNOPF provides; and to limit the risk of the MNOPF's assets failing to meet the MNOPF's liabilities over the long term.

The Trustee has formulated a Journey Plan which shall be taken as the agreed combination of contributions and investment return that is expected to target assets at least 103% of member benefits by 30 June 2026 or such other period as may be agreed from time to time.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. The Trustee's risk management policy is documented in the Statement of Investment Principles. These investment objectives are implemented through the Fiduciary Management Agreement in place with the Delegated CIO (Willis Towers Watson) and the investment management agreements in place with the investment managers. The Fund's performance versus its investment objectives is monitored by the Trustee on a regular basis.

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

		Market Risk			2023	2022
	Credit Risk	**Currency**	**Interest Rate**	**Other price**	**Value £m**	**Value £m**
Bonds	●	○	●	●	368.0	556.9
Pooled investment vehicles	●	◐	◐	●	336.3	478.4
Derivatives	●	◐	●	●	22.7	80.3
Cash	◐	◐	○	○	3.7	73.3
Other investments	●	○	●	○	(158.7)	(306.9)
Insurance Policies	●	○	●	●	1,528.0	2,069.5
Total investments					**2,100.0**	**2,951.5**

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

Investment risk disclosures exclude AVCs as their value is not material.

Further information on the Trustee's approach to risk management and the Fund's exposures to credit and market risks are set out below.

(i) Credit risk

The Fund is subject to credit risk as the Fund invests in bonds, OTC derivatives, exchange traded derivatives, has cash balances, enters into repurchase agreements, has the potential to undertake stock lending activities, and has transacted two buy-ins (which are exposed to the credit risk of the insurers). The Fund 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 and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

(i) Credit risk (continued)

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements and through diversification of counterparties. The collateral posted to the Fund is in the form of UK government bonds and cash. Credit risk also arises on forward foreign currency contracts. These contracts are collateralized which reduces the credit risk and all counterparties are required to have an investment grade credit rating at the point of trade execution.

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

The Fund does not lend any of its segregated assets other than through repurchase agreements, however pooled funds held by the Fund do have the ability to lend certain fixed interest and equity securities at their discretion. At 31 March 2023 it was 0.0%.

Credit risk on repurchase agreements is mitigated through collateral arrangements and diversification of counterparties.

The Fund's holdings in pooled investment vehicles are unrated. 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. Some of the Fund's pooled investment managers have the ability to invest in non-investment grade investments; this risk is managed through diversification. The Delegated CIO (Willis Towers Watson) carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Credit risk arises on the buy-ins which were transacted with two separate providers. Both providers had an investment grade credit rating at the point of trade execution and credit risk is mitigated through the regulatory capital requirements placed on insurance providers.

Credit risk on equity options (which are OTC contracts) is mitigated through collateral arrangements and diversification of counterparties.

Please see below the legal nature of the Pooled Investment Funds:

	2023
	£m
Limited liability partnerships	61.6
Closed ended investment companies	0.1
Open ended investment companies	5.3
Authorised unit trusts	187.7
Unauthorised unit trusts	7.6
Sole investor authorised fund	6.1
ICAV	39.8
	308.2*

*Only includes available information as at the time of publishing this report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy. As at 31 March 2023 the Fund's net unhedged overseas currency exposure is 6.7% (2022: 13.1%).

(iii) Interest rate risk

The Fund is subject to interest rate risk on its liability driven investments (LDI) comprising bonds, repurchase agreements and interest rate swaps held either as segregated investments or through pooled vehicles and cash. The purpose of the Fund's LDI investments is to match the interest rate and inflation sensitivities of the Fund's liabilities. Therefore, when considering the Fund's liabilities these investments are risk reducing. Similarly, the buy-ins are subject to interest rate risk but again, this investment is risk reducing.

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes pooled investment in equities, hedge funds, private equity, and other alternative investments.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The other price risk for the Fund's bonds and derivatives, reflect that some of these instruments are inflation linked in nature and therefore the price of these instruments moves in line with inflation expectations. Additionally, the price of the equity options will be influenced by moves in equity markets.

11.11 Concentration of investments

The investments (other than UK Government Securities) at the year-end which are more than 5% of the total value of the net assets of the Fund comprise:

		2023		2022
	%	**£m**	**%**	**£m**
PIC buy in 1	46	970.1	42	1,252.7
PIC buy in 2	12	246.8	11	332.2
L&G buy in	15	311.1	16	484.6
Insight: Liability Hedging	12	260.7	16	343.6

12 TAX

The Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 CURRENT ASSETS

	2023	2022
	£m	£m
Cash balance	16.3	14.5
Deficit contributions due	22.8	22.8
Accounting adjustment to employer deficit contributions due	(22.3)	(22.4)
Other debtors	0.5	1.2
	17.3	16.1

Deficit contributions due represent historic balances not due under the current Schedule of Contributions.
Accounting adjustment to employer deficit contributions due are amounts where recovery from the invoiced employer is considered, on a prudent basis, to be unlikely. The concept of adjustments was introduced into the statutory accounts in 2014/15 to reflect the Trustee's approach to the collection of deficit amounts. As such, the use of the expressions "provision" or "write-off" is avoided as these terms could be misinterpreted. It is emphasised that all amounts due are recorded gross in the detailed records.
One employer entered administration on 26 August 2022. The total debt invoiced in September 2022 following the termination of instalment payment arrangement was £55k and has been added to the Accounting adjustment to employer deficit contributions due.

14 CURRENT LIABILITIES

	2023	2022
	£m	£m
Unpaid benefits	7.9	5.8
Other creditors and accrued expenses	3.8	5.0
	11.7	10.8

Included in “Other creditors and accrued expenses” are the following reserves:

a) Reserve established at 31 March 2014 with funds from the former Old Section. This reserve will settle all future costs arising in relation to the former Old Section following the completion of its buy-out in July 2014. These include the costs of operating myMNOPFpension, which consolidates the benefits payable to former Old Section members into a single payment. myMNOPFpension also provides a single point of contact for all members of MNOPF and the reserve will settle a proportion of the cost of this service. The costs of myMNOPFpension will be settled over many years as the service is delivered.

The reserve was established on an arm’s length basis and at 31 March 2023 the balance was £1.2m (2022: £2.2m).

b) Reserve established at 10 October 2018 with funds from MP section. The reserve was established to be used to settle all future costs in relation to MP section following its transfer to Ensign Retirement Plan. The balance at 31 March 2023 on this reserve was £0.0m (2022: £0.2m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 RELATED PARTY TRANSACTIONS

15.1 Key management personnel

The Trustee is deemed to be a related party of the Fund. Included in administrative expenses are payments of £130,479 (2022 restated: £124,794) made to certain Trustee Directors for fees relating to the exercise of their duties during the year. Trustee directors were also reimbursed expenses totalling £7,021 (2022 restated: £3,075). There are no Trustee Directors who are pensioner members of the Fund.

15.2 Employer and other related parties

Following the receipt of the confirmations and the execution of an amendment to the MNOPF Trust Deed and Rules on 23 May 2022, the Trustee gave final agreement to a bulk transfer from the Trustee of the Ensign Retirement Plan in respect of the members benefits in respect of the remaining AVC policies. The transfer, through the signing of a merger deed and two deeds of assignment which were effective on 16 June 2022.

During the year, the Fund had interests but no holdings in the following companies which are related parties:

Entity	**Activity**	**Equity Holding as at 31 March 2023**	**Value of Holding as at 31 March 2023**	**Transactions in year and balances at the year end**
		%	**£m**	
Ensign Pensions Limited	Pension fund executive services	-	-	There is an accrual for IT services of £47,561 at 31 March 2023 (2022: £49,180). The balance in the Intercompany Account as at 31 March 2023 is a debtor balance £76,031 (2022: £123,592).
MNOPF Trustees Limited	Trustee Company for the Fund	-	-	Outstanding balance on loan provided to fund the investment in Ensign Pensions Limited of £400,000.

The fund is under the control of MNOPF Trustees Limited. Ensign Pensions Limited is a company wholly owned and under the common control of the Trustee company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 COMMITMENTS

As at 31 March 2023, the Fund was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £31.1m (2022: £30.2m) of private equity, of which £12.6m is related to property (2022: £9.5m). Please see below:

	2023	2022
	£m	£m
Property:		
Fprop Office LP	8.5	5.6
RECAP	4.1	3.9
Infrastructure:		
Equis	-	1.6
Private equity:		
Advent	0.9	1.1
American Securities	2.2	2.1
CarVal	-	1.0
ECP	1.3	1.2
GSAM	9.6	9.1
Oaktree	4.5	4.6
	31.1	30.2

17 EMPLOYER-RELATED INVESTMENTS

At the year end the maximum market values of direct investments held by the Fund in companies known to be, or which have subsidiary interests that are known to be, Participating Employers was calculated as 0% (2022: 0.2%) of the net assets of the Fund. The investments were as follows:

	2023		2022	
	Total	Total	Total	Total
	£m	%	£m	%
Pooled Funds	0.6	0.0	6.0	0.2
Total exposure	0.6	0.0	6.0	0.2

The Trustee confirmed that Employer-related investment did not exceed 5% at any time during the year.

The total exposure to employer-related investments in pooled vehicles is determined using assumptions. The assumptions are deliberately conservative and are likely to result in an overstatement of the actual value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CONTINGENT LIABILITIES

As at 31 March 2023, a final premium/repayment is due under the two PIC buy-in policies. The final premiums/repayments cannot be determined until data cleansing has been finalised.

Should further changes be notified after the final premium has been calculated, additional charges or repayments may be incurred.

In addition to the contingent liability for a potential premium adjustment once data validation is complete, there is a further potential liability in relation to annuity income as no reconciliation has yet been completed of actual amounts due versus lump sum monthly amounts received to date.

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 the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pensions ("GMP"). Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would 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. The Trustee is aware that the judgements are expected to set a precedent for other UK defined benefit pension schemes and is taking steps to consider the implications of the judgements for the Fund. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. At present the Trustee does not have a reliable estimate of the expected additional liability analysed between post service costs and total liability and therefore has not included an accrual or provision in respect of these matters in the financial statements.

Section 37 Certificate

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered in relation to "section 9(2B) rights" unless the actuary has confirmed in writing that the scheme would continue to satisfy the statutory standard. Section 9(2B) rights are rights attributable to contracted out service from 6 April 1997 and the statutory standard is a benefits test based on rights under a notional "reference scheme". The High Court found that where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that the references in the legislation to section 9(2B) rights (in relation to which actuarial confirmation had to be obtained) included both past and future service rights. The requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme, not just those which would or might adversely affect section 9(2B) rights. The case is being appealed, meaning that, at present, it is uncertain whether the High Court judgment will stand or whether the potential impact of the judgment could be limited.

The Trustee is considering with its advisers the impact of the case, if any, for the Fund.

REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions determined by the Trustee, having consulted the Participating Employers, and which are set out in the Statement of Funding Principles, a copy of which is available to Fund members on request.

The most recent triennial actuarial valuation of the Fund effective as at 31 March 2021 showed that the accumulated assets of £3,250m represented 102% of the Fund's technical provisions in respect of past service benefits; this corresponds to a surplus of £58m at the valuation date.

The value of technical provisions is based on Pensionable Service to the Fund's closure on 31 March 2016 and assumptions about various factors that will influence the Fund in the future, such as the levels of investment returns, inflation, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations as at 31 March 2021 are as follows:

Method

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

Significant actuarial assumptions

Discount interest rate: Equal to yields on fixed interest Government bonds at each term, plus a margin which is initially 0.875% pa at 31 March 2021, then reduces linearly, in annual steps, to 0.25% pa as at 31 March 2025 and remains at that level thereafter.

Future Retail Price Inflation (RPI): The assumption adopted is based on expected rates of break-even inflation each year, having regard to the inflation expectations implicit in UK Government bond prices at the valuation date.

Future Consumer Price Inflation (CPI): set based on the expected future difference between assumed retail price inflation (RPI) and consumer price inflation (CPI). CPI is assumed to be 1% pa below RPI to 2030 and then equal to RPI thereafter.

Pension increases: where the Fund's rules provide for inflation-linking, assumptions derived from the underlying inflation assumptions, allowing for the caps and floors on pension increases.

Revaluation in deferment: this assumption has been set in line with Consumer Price Inflation where relevant.

Mortality: Normal health SAPS3 amounts table (Heavy table for female spouses) projected with CMI 2020 core projections with a long term rate of improvements of 1.8% pa and an initial addition of 0.25% pa. Multipliers of 107% for normal health members, ill-health pensioners and male spouses, and 88% for female spouses.

GMP equalisation: An allowance of 0.6% of liabilities has been made to reflect the potential cost of changes to the benefits that may be required to ensure that the Fund provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Recovery plan

As there was no deficit at the valuation date there is no need for the Fund to set out a Recovery Plan.

Next actuarial valuation

The next triennial valuation is being performed as at 31 March 2024.

Schedule of Contributions following the 2021 valuation

This schedule of contributions has been prepared by MNOPF Trustees Limited, the Trustee of the Merchant Navy Officers Pension Fund ("the Fund"), to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary, Kim Farnum. It has been prepared and certified on the assumption that all contributions specified are paid on the relevant due date for payment.

This schedule specifies rates of Employer contributions to the Fund. It covers a period of 5 years from the date of certification. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews.

There are no contributions due from or payable by members to the Fund.

1 Deficit contributions from the date of this schedule to 30 September 2023

Employers will pay the following deficit contributions:

- the deficit payments arising from the funding valuation as at 31 March 2012 set out in the schedule of contributions dated 2 May 2013; and
- the deficit payments arising from the funding valuation as at 31 March 2009 set out in the schedule of contributions dated 26 March 2010.

The last payment under these schedules is due to be made by 30 September 2023.

2 Other Employer contributions

In addition to the contributions shown above, the Employers shall pay the following:

- Additional contributions as may be required under the Definitive Trust Deed and Rules in specific circumstances, for example to cover augmentations. The amounts of such contributions to be advised by the Scheme Actuary, and due dates to be agreed by the Trustee.
- Such other contributions as may be agreed by the Trustee and the Employers from time to time.

Date of schedule: 9 December 2021

Agreed on behalf of the Trustee

Name: Rory Murphy

Signature:

Position: Trustee Chairman

Date: 9 December 2021

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected as at 31 March 2021 to be met by the end of the period for which the Schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 9 December 2021.

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 Fund's liabilities by the purchase of annuities if the Fund were to be wound up.

Signature Kim Farnum

Name: K Farnum
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
Watson House
Reigate
RH2 9PQ

Date: 9 December 2021

MEMBERS' INFORMATION

The Trustee is required to provide certain information about the Fund to the Registrar of Pension Schemes. This has been forwarded to:

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

Internal Disputes

The Trustee has an Internal Disputes Resolution Procedure ("IDRP") in place to deal with any complaints from members regarding the operation of the Fund. If the complaint cannot be resolved under the first stage of the Procedure, the Trustee will consider the complaint under stage two. Further details of the IDRP can be found on the MNOPF website.

The Pensions Ombudsman

If a member requires assistance with dealing with a pension complaint, they can contact the dispute resolution team at the Pensions Ombudsman.

The Pensions Ombudsman may also investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme and will assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Fund. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator ("TPR") can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0345 600 1011

The Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependents) of previous employers' schemes, who have lost touch with earlier employers and Trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

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

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

MEMBERS' INFORMATION (CONTINUED)

The Pensions Compensation Scheme

The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the fund assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

MoneyHelper

Members can obtain information and guidance through MoneyHelper. The Money and Pensions Service (MaPS) has consolidated The Pensions Advisory Service (TPAS), Money Advice Service (MAS) and Pension Wise into a single website. It offers free impartial guidance on a range of financial issues, including pensions and retirement.

Telephone: 0800 011 3797

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

Further Information

The Trust Deed and rules, the fund details, and a copy of the Schedule of Contribution and Statement of Investment Principles are available for inspection free of charge by visiting the Trustee's website www.mnopf.co.uk or by contacting the Trustee at the address on page 11. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the fund, Mercer Limited, at the address on page 11.

The Merchant Navy Officers Pension Fund

Annual Implementation Statement – Year ended 31 March 2023

Table of Contents

Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Merchant Navy Officers Pension Fund ("the Fund") covering the fund year ("the year") to 31 March 2023.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme's engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Fund 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 Delegated CIO, Towers Watson Limited (trading as WTW), to advise on the Fund's DB assets. So far as is practicable, the Delegated CIO considers the policies and principles set out in the Trustee's SIP.

A copy of this implementation statement has been made available on the following website: www.mnopf.co.uk

Voting and engagement

As set out above, the Trustee has delegated responsibility to the Delegated CIO 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 Delegated CIO 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 believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Delegated CIO who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Delegated CIO's performance in this area as part of its overall assessment of the Delegated CIO's performance.

The Delegated CIO'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 Delegated CIO engages with investment managers to improve their processes.

The Delegated CIO produces a detailed Annual Sustainable Investment (SI) Review report on the SI characteristics of the highest-rated managers (such as those included in the Fund's portfolio) on an annual basis. This report forms part of the Trustee's ongoing portfolio monitoring which the Trustee last reviewed at its Q3 2022 meeting.

At the latest Annual SI Review it was reported that the vast majority of the Fund's asset managers are operating at a neutral or strong standard. The Delegated CIO is directly engaging with the underlying investment managers in areas where they scored poorly to encourage improvements. Should insufficient progress be made on making improvements, the manager's place in the portfolio will come under review.

In addition, the policies and processes adopted by the Trustee have impacted the Fund's investments in numerous ways. A key example of this is within the Fund's equity portfolio where the Trustee is invested in the Towers Watson Global Equity Focus Fund which has excluded controversial weapons companies from the Fund's portfolio in accordance with MSCI's criteria. These categories of weapons are widely considered to be controversial as they can have indiscriminate, anti-humanitarian impacts on civilians, including weapons of mass destruction. Many are also subject to international conventions and agreements which several countries have ratified.

Company level engagement and rights attached to investments (including voting)

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Delegated CIO, and in turn to the Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Fund's investment managers.

The Trustee has a set of investment beliefs which cover various aspects including governance, asset classes and risk. The Trustee's sustainability beliefs are:

- As stewards of the Fund's assets, the Trustee has a responsibility to set policy over ESG factors rather than delegating the policy setting to the DCIO / investment managers
- It is important for equity managers to exercise their voting rights as this leads to better governance reasons and can produce better returns
- The Trustee should closely monitor how the DCIO incorporates Sustainability, ESG and stewardship considerations into its decision-making process
- The Trustee should provide regular communication to employers as well as members regarding Sustainability, ESG and stewardship developments.
- The Fund should engage with other Pension Schemes / investors to aim to create positive change across the investment industry.
- The Trustee supports investments with a positive social and environmental impact, but these investments must have no adverse impact on overall investment efficiency.
- Climate change, and a just transition to net zero carbon emissions, is a systemic and urgent global challenge which necessitates specific risk management, opportunity identification and collective action.

The Trustee assess adherence with its sustainability beliefs annually – most recently in 2022 which confirmed activities were undertaken that ensure compliance with all beliefs. The Trustee looks to update its beliefs at least every three years. The sustainability beliefs were last updated in 2021, with the next review scheduled in 2024.

The Delegated CIO's annual sustainability report helps the Trustee to review and monitor latest sustainability and ESG considerations within the portfolio, against its beliefs framework. As part of the ESG report, the following aspects are included:

- A section on understanding the latest trends in ESG and how sustainable investing can have a positive impact on investment return.
- Annual monitoring of the investment managers the Fund invests in, including any areas of weaknesses identified.
- Case studies of investment managers incorporating sustainability within the decision-making process.
- A quantitative and qualitative assessment of carbon exposure and other ESG criteria in the Fund's portfolio.

Through the engagement undertaken by the Delegated CIO, 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 Delegated CIO 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 Delegated CIO engages with managers to improve their practices and may recommend the termination of 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 Fund 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 Fund's equity managers, or managers who own a significant amount of equity such as listed real estate (REITs) and listed infrastructure, as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below.

Further information on the voting and engagement activities of the managers is provided in the table below.

The Fund's equity holdings over the year to at 31 March 2023 were invested across six pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Delegated CIO which invests in number of underlying active managers
- Manager A – an active equity fund focussed on equities listed in China.
- Manager B – an active emerging market equity fund.
- Manager C – an active global equity fund focussed on equity related to prime properties.
- Manager D – an active global equity fund focussed on equities that are expected to benefit from the transition towards clean energy.
- Manager E - an active global equity fund which focusses on equity related to global listed infrastructure companies.

As outlined above, the Fund is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and Managers A, B, C, D and E. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Fund's investment managers could impact the investment manager's ability to generate the best investment outcome for the Fund and ultimately, the Fund's members. As at 31 March 2023 the Fund is fully disinvested from manager A. For this manager we have reported on the voting data over the period the Fund was invested in the manager. In addition, the Delegated CIO no longer rates this manager.

The Delegated CIO views that TWIM GEFF acts as a strong steward of capital through engagements made by underlying managers and through Equity Ownership Services ("EOS") at Federated Hermes who has been specifically appointed to act in this regard on behalf of the capital in the fund. Underlying managers are continuously monitored and evaluated on their engagement activities, which in 2022 are rated either as a Strength or Neutral by the Delegated CIO. EOS is rated as a Strength on their ESG engagement activities. EOS' latest engagement plan can be accessed through the following website:https://www.hermes-investment.com/uk/en/institutions/eos-insight/stewardship/eos-engagement-plan-2023-2025/

The Delegated CIO's view is that Manager E's strategy has a very strong ESG focus through detailed stock scenario analysis. The manager participates in, collaborative engagement efforts, taking part in several industry engagements in the last year. A question remains over the manager's stewardship as they currently have no conflicts of interest policies in place. The Delegated CIO continues to engage for further improvement on ESG issues.

The Delegated CIO views Manager B's approach to SI as strong. When investing in a new stock their SI team completes a report dedicated to reviewing the primary ESG risks, opportunities and potential areas for engagement with management. Manager B also actively engages with the management teams of the businesses they own. The majority of the company engagements are around governance factors.

The Delegated CIO's view on Manager C is positive. ESG considerations, particularly corporate governance, is a very strong focus of the team and they have provided examples of selling down stock where management has not acted in the best interests of shareholders. Manager C is also a signature of the UNPRI and have incorporated a robust ESG framework into their proprietary software to build on a previously more qualitative assessment.

The Delegated CIO's view on Manager D is acceptable. Given the strategy's fundamental investment approach and the focus on energy transition, Manager D's investment team considers sustainability risks and opportunities and their impact on shareholder value throughout the investment process. Engagement with companies is fundamental to the investment process and the manager seeks to build relationships and broad levels of engagement with management and stakeholders of the companies to which they allocate capital. The firm supports various environmental (e.g., carbon footprint management) and social (charity and fundraising) initiatives. The Delegated CIO continues to engage for further improvement.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager. The Delegated CIO has assessed the investment manager's voting policies as part of its overall assessment of the investment manager's capabilities. The Delegated CIO considers the managers' policies to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the Fund's members. Additional oversight on the implementation of this policy is provided through the Delegated CIO's partnership with EOS at Federated Hermes (see below). The Trustee has identified key ESG risks for the Scheme as climate change action and human and labour rights and therefore selected votes on these topics as the most significant for the Fund where possible. Implications on the voting outcome for Manager D are unavailable, and we are currently querying with the manager on when we can expect to receive this information.

TWIM: Global Equity Focus Fund

Voting activity	Number of votes eligible to cast: 2548 Percentage of eligible votes cast: 99% Percentage of votes with management: 88%[1] Percentage of votes against management: 11%[1] Percentage of votes abstained from: 2%[1]			
Most significant votes cast	**Company**	Alphabet	Salesforce	Amazon
	Size of holdings	3.1%	1.5%	1.5%
	Resolution	Report on risks of doing business in countries with significant human rights concerns	Oversee and report a racial equity audit	Report on efforts to reduce plastic use
	Decision /Vote	For	For	For
	Rationale for decision	For shareholder resolution, against management recommendation and shareholder proposal promotes better management of ESG opportunities and risks	Promotes appropriate accountability and incentivisation on gender and diversity	Promotes transparency around environmental issues
	Outcome of vote	Failed	Failed	Failed

	Implications of the outcome	None to report	Continue to consider proposals whether from management or shareholders which enhance company diversity.	Continue to consider proposals whether from management or shareholders which enhance transparency around environmental issues. .
	Rationale for classifying as significant	Voting for the report on human rights concerns aligns with the Trustee beliefs, and is against management recommendations.	We consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.	The Trustee considers ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.
Use of proxy voting	As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. We expect all of our underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. We have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time.			

[1] *Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

<u>Manager A: an active emerging markets equity fund focussed on China A Shares</u>

Voting activity	Number of votes eligible to cast: 1106 Percentage of eligible votes cast: 100% Percentage of votes with management: 97% Percentage of votes against management: 3% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Ping An Insurance	Midea Group Co. Ltd	Jiangsu Hengrui Pharmaceuticals
	Size of holdings	4.8%	4.3%	1.4%
	Resolution	Elect Cai Xun	Key management team stock ownership	Management measures for the 2022 Employee Stock

			plan and the Midea Global Partners plan 8th phase stock Ownership Plan and Its Summary	Ownership Plan (ESOP)
	Decision /Vote	For	Against - management were not notified in advance	Against – management were not notified in advance
	Rationale for decision	Cai Xun and He Jianfeng are nominated by Shenzhen SASAC which can play the role of checks and balances. The size of board is not small but it is necessary to have representatives from different shareholders.	ROE of Midea Group in 2021 was 24.09% but the threshold for ROE is set at 20% in 2022 and 2023 and 18% for 2024 and 2025. Manager A do not believe that this is properly designed.	The management measures for the 2022 ESOP are not in shareholders' interest
	Outcome of vote	Passed	Passed	Passed
	Implications of the outcome	The manager tends to be more stringent in their recommendations vs outcome of the votes when it comes to governance matters. Small matters count - we feel there is always scope for our Chinese portfolio companies to become even better over time; The manager hopes to communicate with them in future meetings on areas for improvement. It is also an area for them to be even more proactive in the future, i.e., communicating proactively with portfolio companies on our vote-against decisions afterwards. The manager wants to understand the background why portfolio companies raise these issues. They can vote on case-by-case basis and build the foundation for constructive engagements with portfolio companies.		
	Rationale for classifying as significant	Voted against Glass Lewis	Voted against management	Voted against management
Use of proxy voting	The Chinese Equity Fund uses Glass Lewis as their proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows the manager to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows submission of voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to clients.			

Manager B - an active emerging market equity fund

Voting activity	Number of votes eligible to cast: 440 Percentage of eligible votes cast: 100% Percentage of votes with management: 94% Percentage of votes against management: 4% Percentage of votes abstained from: 2%			
Most significant votes cast	**Company**	Tencent Holdings Ltd	Apollo Hospitals Enterprise Limited	Wuxi Biologics (Cayman) Inc.
	Size of holdings	5.9%	4.6%	3.3%
	Resolution	Approve issuance of equity or equity-linked securities without pre-emptive rights and authorize reissuance of repurchased shares.	Approve remuneration of executive directors and/or non-executive directors	Approve grant of share options pursuant to the Scheme to Jincai Li and Jian Dong
	Decision /Vote	Against	Against	Against
	Rationale for decision	Manager B believe Tencent is increasingly unlikely to need the flexibility to issue this many shares given regulation, Tencent's large market cap, and a maturing of investments. Manager B does not think voting against (in line with best practices) will compromise Tencent's capital strategy.	Manager B voted against the proposal primarily because 1) Dr. Reddy is (an executive director) pay in particular is excessive vs. hospital peers, and 2) this compensation is not tied to sufficiently rigorous performance targets to justify this relatively high compensation (e.g., "up to 1% of pre-tax net income" gives wide discretion over the "commission" component of his pay).	Manager B would like to see disclosed performance targets associated with the grants and have some reservations about the accelerated vesting of options upon change of control (which could discourage potential buyers from making an offer for the company).
	Outcome of vote	Pass	Pass	Pass

	Implications of the outcome	Manager B will most likely continue to vote this way in the future	None	None
	Rationale for classifying as significant	The criteria used to assess the significance of the vote were the dissent level, shareholder proposals that were voted 'for', times voted against management or ISS, historical votes on similar proposals, and overall relevance to the strategy and Trustee beliefs.		
Use of proxy voting	Manager B vote their proxies themselves but consider the recommendations of proxy advisors such as ISS and Glass Lewis in their voting decisions. In voting proxies manager B should consider the short and long-term implications of each proposal. In voting proxies, manager B typically is neither an activist in corporate governance nor an automatic supporter of management. However, because manager B believes that the management teams of most companies it invests in generally seek to serve shareholder interests, manager B believes that voting proxy proposals in the client's best economic interests usually means voting with the recommendations of these management teams. Any specific voting instructions provided by an advisory client or its designated agent in writing will supersede this Policy.			

Manager C – an active global fund focussed on real estate equity

Voting activity	Number of votes eligible to cast: 664 Percentage of eligible votes cast: 100% Percentage of votes with management: 97% Percentage of votes against management: 3% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Prologis, Inc. (PLD-US)	Alexandria Real Estate Equities Inc. (ARE-US)	Healthcare Realty Trust (HR-US)
	Size of holdings	6.9%	2.1%	1.8%
	Resolution	Approve remuneration report	Director elections	Approve merger agreement
	Decision /Vote	Against	Against	Against

	Rationale for decision	Manager C remain concerned about the overlap of the three LTI schemes, which can result in high absolute levels of total remuneration for the CEO, where annual realised pay has ranged between US$27m and US$37m over the period 2017 – 2021.	The governing documents of the company state that only directors can amend company bylaws. This has been a recurring issue for ARE-US, to the extent that the board of directors have proactively engaged with shareholders to determine whether they wanted to have the right to amend company bylaws. After speaking to shareholders with 70% of outstanding shares, they concluded that there was no great need to make this change. However, we believe that shareholders should also have this ability and be able to amend bylaws. The absence of this right is seen as a failure of governance and so, Manager C voted against the re-election of the three directors on the Governance Committee.	Manager C voted against this proposal due to several financial outcomes from the merger that we considered were less than ideal for shareholders of HR. These outcomes included: - Increased financial leverage for the combined company; - A lower internal growth profile; - A reduction in the value of the locations of the combined portfolio; - An increase in leasing risk; and - Minimal apparent earnings accretion.
	Outcome of vote	Failed	Failed	Failed
	Implications of the outcome	Given this was an advisory resolution, the company wouldn't have been bound by the outcome of the vote, having communicated our views with the company, also collaborating with other large shareholders could have demonstrated to the company wider shareholder discontent with the remuneration	Manager C feel that voting against the directors as a protest to the lack of these particular shareholder rights and communicating that to the company was worthwhile. However, in the future we could collaborate more with other shareholders to see whether there is greater interest in advocating for these issues.	Manager C engaged with the company management to inform them of their views on this resolution and seek to change the terms. Given the resolution's eventual approval, engaging with other large shareholders to gauge their views and see whether there could be a collective effort among shareholders to

		structure and outcomes.		change company views.
	Rationale for classifying as significant	Against management recommendation	Against management recommendation	Against management recommendation
Use of proxy voting	The manager will vote on all resolutions that it has the ability to vote on in accordance with client investment management agreements. In the event that the manager receives a direction from a separately managed client account in relation to the appointment of a proxy and the way the proxy should be voted, the manager will use its best endeavours to implement the direction. In the absence of any direction, the manager will exercise the right to vote as it sees fit, having regard to the objective of the investment mandate and taking into consideration any material conflicts of interests identified. For pooled products, the manager will determine how to vote in accordance with the Proxy Voting Policy. The proxy votes are submitted via the ISS (Institutional Shareholder Services) Proxy Exchange portal, to facilitate and assist with the voting process.			

Manager D – an active energy fund investing in energy linked equities that promote the climate transition

Voting activity	Number of votes eligible to cast: 257 Percentage of eligible votes cast: 100% Percentage of votes with management: 94% Percentage of votes against management: 6% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Exxon Mobil	Siemens Energy AG	Air Products and Chemicals Inc.
	Size of holdings	5.0%	3.9%	3.0%
	Resolution	Climate change	Approve discharge of management board members for Fiscal Year 2021/22	Director re-elections
	Decision /Vote	For	For	For

	Rationale for decision	Whilst the company does not yet have targets in place that align it with net zero scenarios, the manager voted 'For' the company to set GHG targets in line with Paris Agreement Goals. The manager does not believe at this stage this warrants a change of directors including CEO and Chairman Darren Woods, as well as Joseph Hooley and Susan Avery.	The manager voted in line with ISS/management on all items with no real contentious issues.	The elections are significant value drivers for the company and therefore voting for their re-election is in line with the fiduciary responsibility of manager D.
	Outcome of vote	Fail	Pass on all excluding discharge of Supervisory Board Member Hagen Reimer (until Aug. 31, 2022) for Fiscal Year 2021/22	Pass
	Implications of the outcome	None		
	Rationale for classifying as significant	Against management	Company stability	Driving company value
Use of proxy voting	The Firm's Proxy Voting Policy requires the Firm to identify and address conflicts of interest between its related persons and clients. If a material conflict of interest exists, the Firm will determine whether voting in accordance with the guidelines set forth in the Proxy Voting Policy is in the best interests of the client or whether taking some other action may be more appropriate. The compliance team reviews the proxy voting records on a monthly basis to ensure consistency with the Proxy Voting Policy.			

Manager E - an active global equity fund which focusses on equity related to global listed infrastructure companies.

Voting activity	Number of votes eligible to cast: 26 Percentage of eligible votes cast: 100% Percentage of votes with management: 81%

	Percentage of votes against management: 19% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Eutelsat Communications	Eutelsat Communications	Eutelsat Communications
	Size of holdings	3.8%	3.8%	3.8%
	Resolution	Approval of the remuneration policy for the Chief Executive Officer	Approval of the remuneration for the deputy Chief Executive Officers	Approval for the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or allocated because of the term of office for the financial year ending 30 June 2022 to the Chief Executive Officer
	Vote Cast	Against – management were not notified in advance	Against - management were not notified in advance	Against - management were not notified in advance
	Rationale for decision	Will lead to a heavy emphasis on top revenue growth rather than value creation (i.e., Free cashflow or total shareholder return).	Will lead to a heavy emphasis on top revenue growth rather than value creation (i.e., Free cashflow or total shareholder return).	Items relate to the FY22 compensation package of the CEO and Vice CEO based on the remuneration policy which the manager voted against last year as they still disapprove of the principal structure.
	Outcome of vote	Manager E decided to sell down the stock	Manager E decided to sell down the stock	Manager E decided to sell down the stock
	Implications of the outcome	None	None	None.
	Rationale for classifying as significant	Voted against management	Voted against management	Voted against management

Use of proxy voting	When proxy voting is to occur, the investment team sector lead provides voting recommendations which are then tabled at the Manager E Investment Committee (IC) for review and approval. Recommendations are made having regard to the various environmental, social, and governance factors of each of the resolutions to be voted on. Voting instruction are submitted via ProxyEDGE. The proxy vote recommendations submitted to IC contain a summary of all ESG risks and key issues identified for that company including, where relevant, recommendations for voting on specific issues.

Industry wide / public policy engagement

As mentioned in the SIP, the Delegated CIO 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 Delegated CIO 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

The Delegated CIO 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

Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.