

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME TRUSTEE'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

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# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## TRUSTEE AND ADVISERS

### Principal Employer

National Society for the Prevention of Cruelty to  
Children (Registered Charity)  
Weston House  
42 Curtain Road  
London  
EC2A 3NH

### Trustee

NSPCC Pension Scheme Limited

### Trustee Directors

PAN Trustees UK LLP Independent Chairman  
(represented by Ms L Stewart-Brindle)  
Mr A Camm (Member-nominated)  
Ms P Webster

### Secretary to the Trustee

D Bennett  
Mercer Limited

### Scheme Administrators

Mercer Limited

### Scheme Actuary

F Butler FIA (appointed 25 August 2022)  
Mercer Limited  
  
A Batterley FFA (resigned 19 August 2022)  
Mercer Limited

### Independent Auditor

Harmer Slater Limited

### Investment Adviser

Mercer Limited

### Investment Managers

Baillie Gifford Life Limited (until November 2021)  
BlackRock Investment Management (UK) Limited (until  
November 2021)  
Legal & General Investment Management  
Mercer Limited (from November 2021)

### Bulk Annuity Provider

Pension Insurance Corporation Limited

### AVC Providers

Clerical Medical Investment Group Limited  
Utmost Life and Pensions Limited

### Bankers

The Royal Bank of Scotland plc

### Legal Advisers

Pinsent Masons LLP

### Address for enquiries

Mercer Limited  
Post Handling Centre M  
Maclaren House  
Talbot Road  
Stretford  
Manchester  
M32 0FP

Email: [nspcc@mercerc.com](mailto:nspcc@mercerc.com)

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### TRUSTEE'S REPORT

The Trustee of the National Society for the Prevention of Cruelty to Children Pension Scheme (the Scheme) is pleased to present the Trustee's Report and audited financial statements for the year ended 31 March 2022. The financial statements have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The report sets out how the Scheme is run, how the assets are invested, and the financial activity of the Scheme in the year ended 31 March 2022. The assets of the Scheme are held by the Trustee and they are entirely separate from the Principal Employer.

The Scheme is principally constituted by Rules adopted by Trust Deed. A new Definitive Trust Deed and Rules was introduced with effect from 30 December 2009. This replaced the previous version dated 22 March 2003, and amended by deed of alteration dated 6 April 2005.

The Scheme is a Registered Scheme under the Finance Act 2004.

A contributory defined benefit (DB) section of the Scheme providing benefits similar to those provided in the Local Government Pensions Scheme was established by the NSPCC, in consultation with its advisers, effective from 1 April 2003.

With effect from 31 December 2009 the Scheme closed to further accrual.

The Childline section of the NSPCC Pension Scheme includes Series 3 benefits transferred from The Pensions Trust – The Growth Plan. These are personal funds from which a pension is secured at retirement, with a capital guarantee that a member's personal fund can never be less than contributions paid in. As a result of this guarantee, this section's benefits are classed as DB, and therefore the defined contribution (DC) governance requirements do not apply to the Scheme accounts. This is consistent with the treatment of the Series 3 benefits by The Pensions Trust in its Annual Reports.

#### **Changes to the Scheme**

There were no significant changes to the contribution or benefit structure of the Scheme during the year ended 31 March 2022.

#### **Appointment and Removal of Trustees/Management of the Scheme**

The Trustee of the Scheme is NSPCC Pension Scheme Limited. The power of appointment and removal of the directors is exercised through the Trustee Company's Memorandum and Articles of Association by the board of directors of NSPCC Pension Scheme Limited. The Trustee Directors who served during the Scheme year are listed on page 1.

The Trustee Company's Memorandum and Articles of Association, Clause 17.1 sets out that the directors shall take all necessary steps to ensure that the total number of directors is not less than three and no more than six.

Legislation requires trustees to ensure that their schemes have at least one-third member nominated trustees, or in the case of a corporate trustee such as NSPCC Pension Scheme Limited, one third member nominated directors.

A Guide for Pension Scheme Trustees issued by The Pensions Regulator has been made available to all Trustee Directors. Members may obtain a copy from the Trustee at the address shown for enquiries on page 1.

During the year the Trustee Directors met six times.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### TRUSTEE'S REPORT (CONTINUED)

#### Membership

Details of the membership of the Scheme as at 31 March 2022 are given below:

#### MEMBERS WITH DEFERRED BENEFITS

Opening balance	1,617
Adjustments	(1)
Retirements	(73)
Transfers out	(11)
Deaths	(1)
<b>MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR</b>	<b>1,531</b>

#### PENSIONERS

Opening balance	1,328
Adjustments	(1)
Members retiring during the year	73
Beneficiaries pensions commencing	12
Deaths	(36)
Full commutations	(10)
<b>PENSIONERS AT THE END OF THE YEAR</b>	<b>1,366</b>
<b>TOTAL MEMBERSHIP</b>	<b>2,897</b>

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

Pensioners include individuals receiving a pension upon the death of their spouse.

Included within pensioners are 839 (2021: 871) pensioners whose pensions are paid from annuities held in the name of the Trustee.

#### Financial development of the Scheme

The Fund Account on page 22 shows that the net addition arising from dealings with members for the year were £6,534,261 (2021: withdrawals of £5,975,902). The net return on the Scheme's investments for the year was a gain of £967,888 (2021: £9,537,959). The total net movement in the Scheme's assets for the year was an increase of £7,502,149 (2021: of £3,562,057), giving net assets of the Scheme at the year end of £191,006,395 (2021: £183,504,246).

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 22 to 34.

#### Scheme Actuary

A Batterley, the Scheme Actuary, resigned on 19 August 2022. The Trustee has appointed F Butler as Scheme Actuary with effect from 25 August 2022.

As required by Regulations made under the Pensions Act 1995, A Batterley confirmed in her notice of resignation that she knew of no circumstances connected with the resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## TRUSTEE'S REPORT (CONTINUED)

### Actuarial Review

The financial statements set out on pages 22 to 34 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Scheme, 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 Scheme and the level of contributions payable.

The most recent triennial valuation was carried out at 31 March 2021.

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 39. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on pages 35 and 36, which forms part of the Trustee's Report.

### Contributions

In accordance with the Recovery Plan and Schedule of Contributions agreed in October 2019 following the completion of the 2018 triennial valuation annual deficit funding contributions of £2,036,000 were payable monthly from 1 April 2019 to 30 September 2024. In addition, annual contributions of £475,000 were payable monthly with effect from 1 April 2019 in respect of levies to the Pension Protection Fund and management and administration expenses.

A new Schedule of Contributions and Recovery Plan were implemented in November 2021, following the completion of the 2021 triennial valuation. These require annual deficit funding contributions of £1.8 million to 31 March 2022 (£169,667 per month to 31 October 2021 followed by £122,467 per month to 31 March 2022). Thereafter, annual contributions of £1.8 million are payable in monthly instalments of £150,000 from 1 April 2022 up to 30 September 2026. In addition, a lump sum contribution of £11.4 million was payable by 31 December 2021.

The Employer will also pay annual contributions of £425,000 (payable monthly) with effect from 1 April 2021 in respect of levies to the Pension Protection Fund and management and administration expenses.

### Pension Increases

It is the Trustee's policy to review the level of pensions in payment each year and to grant such discretionary increases as, with the agreement of the Society and on the advice of the Actuary, can be afforded, bearing in mind the effects of price inflation. However, any pension or allowance in payment accrued on or after 6 April 1997 will be increased by the lesser of 5% and the Retail Price Index.

On 1 July 2021, post 1997 pensions were increased by 1.2% (1 July 2020: 1.5%). There was no discretionary increase awarded in respect of pre 1997 pensions (1 July 2020: nil).

Widow's and widower's pensions payable on the death of a pensioner were also increased in the same manner.

### Transfer Values

All transfer values are calculated in accordance with the requirements of The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 using assumptions determined by the Trustee on advice provided by the Scheme Actuary.

No discretionary benefits or increases in benefits are included in the calculation of transfer values.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## TRUSTEE'S REPORT (CONTINUED)

### Investment Management

The day-to-day management of the investments has been delegated by the Trustee to the investment managers as shown on page 1. The investment report appears on pages 8 to 15.

During November 2021 the assets held with Baillie Gifford Life Limited and Blackrock Investment Management (UK) Limited were fully disinvested and the proceeds were invested with Mercer Limited.

The investment managers' remuneration of Legal & General Investment Management Limited and Mercer Limited is based on the assets under management and reflected in the calculation of unit prices. Any surplus amount collected in the calculation of unit prices is refunded by Mercer on a monthly basis as a rebate to the Scheme.

Blackrock Investment Management (UK) Limited was remunerated in accordance with an agreed fee scale, based on the value of the portfolio and the volume of investment transactions. The remuneration of Baillie Gifford Life Limited was reflected in the calculation of unit prices.

In accordance with Section 35 of Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. A copy of the Statement is available from the Secretary to the Trustee.

The securities underlying the units held in the pooled investment vehicles are held and recorded by custodians appointed by the investment managers. The investments are held in designated nominee accounts.

The Trustee's Engagement Policy Implementation Statement, which sets out voting and engagement information undertaken by the Scheme's investment managers for the year ending 31 March 2022, is included on pages 42 to 47 of the financial statements.

### Market Conditions and Going Concern

Following the announcement made in the Chancellor's 'mini budget' on 23 September 2022, the gilt market experienced a material sell off as concerns grew around the stability of UK's fiscal position. The sell-off also resulted in a material fall in the value of sterling against the US Dollar, as well as other currencies. The scale of the gilt market volatility resulted in the Bank of England ("BoE") intervening, by committing to purchasing gilts, on 26 September 2022, in order to restore market stability. The BoE's Gilt market purchases ran up until 14 October 2022. The result of the market reaction following the mini-budget resulted in a rise in gilt yields, and this has led to a fall in the Scheme's matching assets that are exposed to gilt yields either directly through the Scheme's holdings in gilts and index-linked gilts and indirectly via the Scheme's holding in investment grade corporate bonds.

Since the start of the year, the Bank of England ("BoE") has been raising interest rates in an effort to combat rising inflation which has been driven by COVID-19 related supply chain disruptions and Russia's invasion of Ukraine that has led to a material increase in global energy and food prices. This resulting rise in interest rates has also contributed to rising gilt yields and the fall in the value of the Scheme's matching assets. Rising gilt yields has also resulted in a fall in the value of the Scheme's liabilities.

Concerns around inflation have resulted in interest rate rises globally, and combined with COVID-related supply chain disruption, this has acted to create volatility in global equity markets which has impacted the performance of the Scheme's equity investments.

The Scheme has negligible exposure to Russian or Ukraine assets, however, it is not immune from the broader indirect implications of the situation. Mercer specialist teams have been closely monitoring market costs and liquidity in financial markets to determine whether changes are required in any Mercer funds which have a (small) exposure to Russia. Given the low risk strategy adopted and the high level of hedging, the Trustee expects the Scheme to be well protected against future market volatility.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## TRUSTEE'S REPORT (CONTINUED)

### Market Conditions and Going Concern (Continued)

The Trustee, in conjunction with their advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the sponsor. The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy.

As stated in the Statement of Trustee's Responsibilities, the Trustee is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis. The Trustee has determined that there is not a material uncertainty as to the Scheme's ability to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the financial statements on a going concern basis.

### Internal Dispute Resolution (IDR) Procedure

The Trustee has adopted a dispute resolution procedure, a copy of which can be provided on request to the Scheme administrator.

Any member with a complaint against the Scheme or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can obtain free advice through The Money and Pensions Service (MaPS) who can be reached at Holborn Centre, 120 Holborn, London, EC1N 2TD. If a member has a complaint which MaPS is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at 10 South Colonnade, Canary Wharf, London, E14 4PU.

### Further Information

Members are entitled to inspect copies of documents giving information about the Scheme. 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 query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of the National Society for the Prevention of Cruelty to Children Pension Scheme care of:

Mercer Limited, Post Handling Centre M, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP

This report, including the Investment Report and the Members' Information, was approved by the Trustee on

21 October 2022  
..... 2022

and signed on its behalf by:

*Signature Withheld*

Director – NSPCC Pension Scheme Limited



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

### **Trustee Responsibilities in Respect of Contributions**

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedules of Contributions. Where breaches of the Schedules of Contributions occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## INVESTMENT REPORT

### Summary of Scheme Investment structure

The overall investment policy of the Scheme is determined by the Trustee having taken advice from their advisers, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments after taking appropriate advice. The Trustee has delegated the day-to-day management of investment to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. During 2020, new legislation was introduced with the aim of improving transparency around pension scheme trustee engagement with asset managements in five key areas. The Trustee updated the SIP, to reflect its policies in these areas, during the year and made a copy available on a publically accessible website with effect from 1 October 2020.

### Employer Related Investments

The Trustee is satisfied that the proportion of the Scheme assets in employer-related investments does not exceed 5% of the market value of the Scheme assets as at 31 March 2022.

### Market Background

The world entered the second quarter of 2021 with heavy Covid-19 related restrictions in place but the successful roll-out of vaccinations in developed countries created optimism over imminent reopenings that would be more sustainable this time than a year before. The reopening rebound in July and August 2021 in developed countries did indeed materialize and drove risk-on sentiment initially. However, some emerging economies re-imposed restrictions, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks in a large number of areas. One major event was a run on UK petrol stations at the end of September after rumours of fuel shortages became a self-fulfilling prophecy. Soaring energy future prices in the UK and Europe led to a further deterioration in sentiment. In the emerging world, China's attempt to deflate its property market by tightening credit increased financial distress and led to the bankruptcy of some large property developers, most notably Evergrande. This came in addition to its disruptive regulatory campaign that created enormous uncertainty for Chinese companies and led to a sharp deterioration in business sentiment.

The fourth quarter did not bring much better news for investors. Persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets that had already started reacting earlier in the year continued. The Federal Reserve began to taper asset purchases, setting the stage for interest rate rises as early as in 2022. The Bank of England increased rates by 15bps to 0.25% in December. Only the European Central Bank and Bank of Japan remained on the fence. There was a further Covid-19 variant scare from late November onwards but with a more limited impact this time. International travel restrictions were somewhat tightened and only few countries in Europe re-imposed meaningful domestic restrictions. The US and UK opted instead for a more pragmatic approach of keeping their economies open and focusing on making booster vaccinations more widely available. Some optimism returned late in the year as existing vaccines proved to still be sufficiently effective against severe symptoms whilst the new variant also appeared to be less severe than feared, although more contagious.

At first, 2022 started on a positive note. The continued absence of far-reaching Covid restrictions in developed countries supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control. The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative, however. Central banks were forced to accelerate this pace of tightening even as growth expectations were dialled down. The recovery in supply chains was nipped in the bud both due to the conflict, sanctions on Russia and China locking down large manufacturing hubs.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### INVESTMENT REPORT (CONTINUED)

#### Market Background (Continued)

Overall, the 12-month period was shaped by a strong global economic recovery supported by economies reopening, higher increased household savings and loose monetary policy. This position fell under pressure in 2022 amid rising inflation, tightening monetary policy, the conflict in Ukraine and renewed lockdowns in China, just when there was hope that supply chains would improve and Covid-19 would cease to cause major economic disruptions.

#### Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 14.9%. Meanwhile, a return of -3.3% was recorded by the FTSE All World Emerging Markets index. At a regional level, European markets returned 6.5% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 13.0%. The FTSE USA index returned 19.3% while the FTSE Japan index returned -2.3%. UK equities caught up considerably with global equities in the first quarter of 2022 due to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2022.

#### Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.1%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -7.2% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 1.2% to 1.7% while the Over 15 Year index yield rose from 0.7% to 1.1%.

The FTSE All Stocks Index-Linked Gilts index returned 5.1% with the corresponding over 15-year index exhibiting a return of 3.9%. Rising inflation expectations offset rising nominal yields to an extent, cushioning the fall of real yields somewhat which explains the outperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -5.1%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2022.

#### Property<sup>2</sup>

Over 12-month period to 31 March 2022, the MSCI UK All Property Index returned 23.9% in Sterling terms. All three main sectors of the UK Property market recorded positive returns over the period (retail: 20.8%; office: 6.7%; and; industrial 42.3%).

#### Commodities

The price of Brent Crude Oil rose 69.2% from \$63.52 to \$107.46 per barrel over the one-year period. Over the same period, the price of Gold increased 13.9% from \$1704.74 per troy ounce to \$1941.15. Commodities rallied significantly in the first quarter of 2022, as Russia invaded Ukraine. As Russia was sanctioned by large parts of the world, energy markets spiked due to the uncertainty of supply given Russia being such a large supplier of oil and gas to Europe.

The S&P GSCI Commodity Spot Index returned 62.4% over the one-year period to 31 March 2022 in Sterling terms.

#### Currencies

Over the 12-month period to 31 March 2022, Sterling depreciated by 4.6% against the US Dollar from \$1.38 to \$1.32. Sterling appreciated by 4.8% against the Yen from ¥152.46 to ¥159.81. Sterling appreciated against the Euro by 0.8% from €1.17 to €1.18 over the same period.

Statistics sourced from Refinitiv unless otherwise specified; <sup>2</sup> Statistics sourced from MSCI Investment Property Database.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### INVESTMENT REPORT (CONTINUED)

#### Investment Policies and Objectives

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The primary objectives are:

- To have in place an integrated funding and investment plan with a view to reaching full funding on a prudent basis with an acceptable level of risk.
- The overall investment objective of the Scheme is to ensure that there are sufficient assets to cover the benefit promises accrued at any particular point in time (as defined by the Scheme actuarial assumptions); without placing unnecessary financial burden on the Society, and without resorting to a high risk profile.
- To pay due regard to the Society's interests on the size and volatility of contribution payments.

The objectives set out above and the risks and other factors referenced in the SIP are those that the Trustee determines to be financially material considerations in relation to the Scheme.

When designing the investment arrangements, the Trustee considers the requirements of legislation, the funding objectives for the Scheme and their views on the covenant of the Sponsor.

#### Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities

In establishing the investment arrangements i.e. the selection, retention and realisation of investments, the Trustee consider what they believe to be financially material matters. The process for choosing investments is as follows:

- Identify appropriate investment objectives.
- Agree the level of risk consistent with meeting the objectives set.
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk.

Day-to-day management of the investable assets in accordance with the Scheme's target asset allocation is delegated to professional investment managers. The Trustee regularly reviews the continuing suitability of the Scheme's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with the investment objectives.

The Trustee believes that ESG issues have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration. The Trustee accordingly considers these issues in the context of the anticipated time horizon over which the assets will be held.

The Trustee does not directly manage its investments and the investment managers have full discretion to buy and sell investments within the various portfolios, within the guidelines of its mandates. ESG considerations are however taken into account in the selection, retention and realisation of investments in the following ways:

The Trustee considers the ESG research ratings published by its investment advisors, Mercer, when monitoring the Scheme's investment managers' capabilities. These ratings are also considered as part of any new selection of investment funds.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### INVESTMENT REPORT (CONTINUED)

#### **Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities (Continued)**

In meetings with the Scheme's investment managers, ESG issues are discussed and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustee for mandates where this is relevant.

The Trustee recognises that when the Scheme invests in pooled funds, they have no voting rights attached to the underlying investments. The Trustee has therefore given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their respective corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Members' views on "non-financial matters" (where "non-financial matters" includes members' ethical views separate from financial considerations such as financial material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments, but the Trustee welcomes views from members.

The Trustee is satisfied that this policy corresponds with its responsibilities to the beneficiaries of the Scheme.

Equity managers registered with the appropriate regulator are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

#### **Investment Manager Appointment, Engagement and Monitoring**

##### **Aligning manager appointments with investment strategy**

The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustee looks to its investment consultant for its forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The Consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment, with the Consultant's assistance, to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Some appointments are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review appropriateness of using actively managed funds (on an asset class basis) periodically, and receives updates on performance from the managers and Consultant on a quarterly basis.

As the Trustee invests in pooled vehicles it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## INVESTMENT REPORT (CONTINUED)

### **Investment Manager Appointment, Engagement and Monitoring (Continued)**

As MGIE manages a portion of the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that it does not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 6 of the SIP. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

### **Evaluating investment manager performance**

The Trustee considers the Consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.

In relation to the portion of the Scheme's assets delegated to Mercer, neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

The asset managers appointed by MGIE are incentivized as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee monitors, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme.

Details of all costs and expenses for the assets delegated to Mercer are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### INVESTMENT REPORT (CONTINUED)

#### Time horizon

The Trustee receives investment manager performance reports on a six-monthly basis, which presents performance information over 6 months, 1 year and 3 years. The Trustee reviews the performance of the investments on an absolute basis and relative to pre-defined benchmarks (over the relevant period) on a net of fees basis. The Trustee's focus is long-term performance but will put a manager 'on watch' if there are short-term performance concerns.

If a manager is not meeting its performance objectives, over sustained period of time, and after consideration of all relevant factors, the Trustee may take the decision to terminate the manager.

#### Portfolio turnover costs

The Trustee reviews portfolio turnover and associated transaction costs on an annual basis.

#### Duration of investment arrangements

The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis.

There is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; or
- The manager appointment has been reviewed and the Trustee has decided to terminate the manager.

#### Investment Strategy and Implementation

All investments have been managed during the year under review by the investment managers and there is a degree of delegation in respect of investment decision making.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme that should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, including full discretion for stock selection, is the responsibility of the investment managers.

The Trustee has implemented the following investment strategy with the aim of helping them achieve the investment objectives:

Manager - Asset Class	Strategic Allocation		Summary of change
	Start	End	
BlackRock UK Equities	8.5%	-	Over the year, the Scheme disinvested from BlackRock and Baillie Gifford and invested the proceeds into MGIE funds.
BlackRock Overseas Equities*	8.5%	-	
LGIM Property	8.0%	8.0%	
Baillie Gifford Diversified Growth	25.0%	-	
Blackrock Diversified Growth	15.0%	-	
Blackrock LDI	35.0%	35.0%	
Global Equities*	-	17.0%	
Secured Finance**	-	15.0%	
Diversified Growth	-	25.0%	
Liability Driven Investments	-	35.0%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

\*50% of the overseas currency exposure is hedged back to sterling.

\*\*The Secured Finance mandates are managed through the Mercer Qualifying Investment Fund (QIF) but are structured as separate investments with Insight and Schroders.



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### INVESTMENT REPORT (CONTINUED)

#### Investment Strategy and Implementation (Continued)

The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

The Trustee regards all the investments of the Scheme as readily marketable as detailed below:

- The Property is fund weekly priced and traded;
- The Mercer funds are daily priced and traded; except for Insight and Schroders Secured Fund which are monthly priced and traded.

The actual allocations will vary from the strategic allocation above due to market price movements.

#### Asset Allocation

The Trustee invests in pooled investment vehicles and derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is gilt repurchase agreements within the liability matching portfolio.

The following table provides more detail on the distribution of the Scheme's assets.

Fund	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)	
Blackrock UK Equities	12.3	-	9.9	-	
Blackrock Overseas Equity	12.2	-	9.8	-	
L&G Property and Cash Funds	10.9	13.2	8.7	9.5	8.0
Blackrock Diversified Growth Fund	20.8	-	16.6	-	
Baillie Gifford Diversified Growth Fund	31.8	-	25.4	-	
Blackrock LDI	37.1	-	29.6	-	
Mercer Passive Global Equity CCF - Class M-1Gbp	-	12.7	-	9.2	17.0
Mercer Passive Global Equity CCF- Hedge	-	12.7	-	9.2	
Mercer Diversified Growth Fund	-	37.1	-	26.8	25.0
Mercer Flex LDI £ Fixed Enhanced Matching Fund 3	-	9.1	-	6.6	35.0
Mercer Flex LDI £ Fixed Enhanced Matching Fund 2	-	4.6	-	3.4	
Mercer Flexible LDI £ Real Enhanced Match Fund 3	-	11.4	-	8.3	
Mercer Flexible LDI £ Real Enhanced Match Fund 2	-	3.7	-	2.7	
Mercer Flex LDI £ Real Enhanced Matching Fund 1	-	5.5	-	4.0	
MGI UK Cash Fund	-	5.3	-	3.9	
Schroder Secured Finance Fund	-	11.4	-	8.2	15.0
Insight Secured Finance Fund	-	11.3	-	8.2	
<b>Total Pooled funds</b>	<b>125.1</b>	<b>138.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

Above valuation does not include the insurance annuity amount of £58.2million for 2021 and £52.7million for 2022.



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### INVESTMENT REPORT (CONTINUED)

#### Investment performance to 31 March 2022

Fund	Last Year		Last 3 Years		Since Inception	
	Fund (%)	B'mark (%)	Fund (% p.a.)		Fund (%)	B'mark (%)
LGIM Property Fund	22.9	23.9	8.3	8.4	6.6	7.2
Mercer Passive Global Equity CCF - Class M-1Gbp	-	-	-	-	-0.6	-0.6
Mercer Passive Global Equity CCF - Hedge	-	-	-	-	-0.8	-0.8
Mercer Diversified Growth Fund	-	-	-	-	-1.0	1.1
Schroder Secured Finance Fund	-	-	-	-	-0.2	0.1
Insight Secured Finance Fund	-	-	-	-	-0.1	0.1
Medium Flexible Fixed	-	-	-	-	-41.3	-41.4
Long Flexible Fixed	-	-	-	-	-46.3	-46.3
Short Flexible Real	-	-	-	-	-6.1	-6.5
Medium Flexible Real	-	-	-	-	-24.0	-24.1
Long Flexible Real	-	-	-	-	-33.0	-33.0
UK Cash (Matching)	-	-	-	-	0.0	0.1
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12.6*</b>	<b>-12.5*</b>

Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

\*Excludes LGIM Performance.

Inception date for all Mercer funds is 30th November 2021; for Insight and Schroders Secured Fund the inception date is 1st December 2021.

Inception date for LGIM Property fund is 20th October 2004.

Over the year under review, the Scheme underperformed the benchmark by 0.1% by returning -12.6% against a benchmark performance of -12.5% p.a.

#### Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

For the Scheme's pooled fund investments, the Trustee has no direct ownership of the underlying assets of the pooled funds. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are shown in the table below

Manager	Custodian
MGIE Funds	State Street
LGIM Property (Pooled Fund)	Citibank N.A.

Source: Investment Managers

Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investments managers.

Mercer has been appointed by the Trustee as administrator of trustee bank account of the Scheme and are responsible for the safekeeping of these holdings.

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

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SUMMARY OF CONTRIBUTIONS

**Trustee's Summary of Contributions payable under the Schedules of Contributions in respect of the Scheme year ended 31 March 2022**

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the contributions payable to the Scheme under the Schedules of Contributions certified by the Scheme Actuary on 1 October 2019 and 1 November 2021.

<b>Contributions payable under the Schedules in respect of the Scheme year</b>		<b>£</b>
Employer:	Deficit funding contributions	13,200,000
	Contributions in respect of expenses	425,000
<b>Total contributions payable under the Schedules and reported in the financial statements</b>		
<b>(as reported on by the Scheme auditor)</b>		<b>13,625,000</b>

21 October 2022  
Signed on behalf of the Trustee on ..... 2022

*Signature Withheld*  
.....  
Director - NSPCC Pension Scheme Limited

*Signature Withheld*  
.....  
Director - NSPCC Pension Scheme Limited

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

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INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO  
THE TRUSTEE OF THE NATIONAL SOCIETY FOR THE PREVENTION OF  
CRUELTY TO CHILDREN PENSION SCHEME

We have examined the Summary of Contributions to the National Society for the Prevention of Cruelty to Children Pension Scheme for the Scheme year ended 31 March 2022 which is set out on page 16.

In our opinion contributions for the Scheme year ended 31 March 2022 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 1 October 2019 and 1 November 2021.

**Scope of work on Statement about Contributions**

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

**Respective responsibilities of the Trustee and auditor**

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

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

**Use of our report**

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

*Signature Withheld*

Harmer Slater Limited, Statutory Auditor  
Salatin House  
19 Cedar Road  
Sutton  
Surrey  
SM2 5DA

24 October 2022

Date.....

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

### Opinion

We have audited the financial statements of the National Society for the Prevention of Cruelty to Children Pension Scheme ("Scheme") for the year ended 31 March 2022 which comprise: the Fund Account, the Net Assets Statement and Notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

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

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

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME (CONTINUED)

### **Other information (Continued)**

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Trustee**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **The extent to which the audit was considered capable of detecting irregularities including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- we identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME (CONTINUED)

#### **The extent to which the audit was considered capable of detecting irregularities including fraud (Continued)**

We considered the nature of the Scheme's industry and its control environment, and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also identified the laws and regulations applicable to the scheme through discussions with the Trustee and other management, and from our cumulative audit, knowledge and experience of the Scheme.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We assessed the susceptibility of the Scheme's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls and policies in place to mitigate risks of fraud and non-compliance with laws and regulations.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings, reviewing internal audit reports and reviewing correspondence with the Pensions Regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE  
NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME (CONTINUED)

**Use of our audit report**

This report is made solely to the Scheme's Trustee, as a body, in accordance with regulations made under section 41 of the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

*Signature Withheld*

Harmer Slater Limited, Statutory Auditor  
Salatin House  
19 Cedar Road  
Sutton  
Surrey  
SM2 5DA

Date..... 24 October 2022 .....

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions	4	13,625,000	2,511,000
		<u>13,625,000</u>	<u>2,511,000</u>
Benefits paid or payable	5	(5,844,589)	(5,651,181)
Payments to and on account of leavers	6	(832,848)	(2,349,820)
Administrative expenses	7	(413,302)	(485,901)
		<u>(7,090,739)</u>	<u>(8,486,902)</u>
<b>NET ADDITIONS/(WITHDRAWALS) FROM DEALINGS WITH MEMBERS</b>		<u>6,534,261</u>	<u>(5,975,902)</u>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	8	3,554,367	3,773,202
Investment management expenses	9	(58,103)	(165,075)
Change in market value of investments	10.1	(2,528,376)	5,929,832
<b>NET RETURNS ON INVESTMENTS</b>		<u>967,888</u>	<u>9,537,959</u>
<b>NET INCREASE IN THE FUND DURING THE YEAR</b>		7,502,149	3,562,057
<b>NET ASSETS OF THE SCHEME AT 1 APRIL</b>		183,504,246	179,942,189
<b>NET ASSETS OF THE SCHEME AT 31 MARCH</b>		<u>191,006,395</u>	<u>183,504,246</u>

The notes on pages 24 to 34 form an integral part of these financial statements.



NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)  
AT 31 MARCH 2022

	Note	2022 £	2021 £
<b>INVESTMENT ASSETS</b>			
Pooled investment vehicles	10.1 / 10.4	138,135,183	125,051,186
Insurance policies - annuities	10.1 / 10.5	52,725,000	58,165,000
Cash	10.1	-	98,701
<b>TOTAL NET INVESTMENTS</b>		<b>190,860,183</b>	<b>183,314,887</b>
<b>CURRENT ASSETS</b>	12	733,294	813,612
<b>CURRENT LIABILITIES</b>	13	(587,082)	(624,253)
<b>TOTAL NET ASSETS AT 31 MARCH</b>		<b>191,006,395</b>	<b>183,504,246</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 35 and 36 and these financial statements should be read in conjunction with that Report.

The notes on pages 24 to 34 form an integral part of these financial statements.

These financial statements were approved by the Trustee on ..... 21 October 2022 ..... 2022 and were signed on its behalf by:

*Signature Withheld*

.....  
Director - NSPCC Pension Scheme Limited

*Signature Withheld*

.....  
Director - NSPCC Pension Scheme Limited

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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## 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, and the guidance set out in the Statement of Recommended Practice (revised 2018).

The Scheme's financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has reviewed the ability of the Employer to continue to meet its obligations to the Scheme and for the Scheme to meet its future obligations to pay member benefits as they fall due. The Trustee remains satisfied about the continuing strength of the Employer and its ability to support the Scheme. On this basis, the Trustee has concluded that the Scheme remains a going concern for a period of 12 months from the date of approval of this Annual Report.

### 2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included on page 1 of the Trustee's Report.

### 3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted and applied consistently in the current and preceding years in the preparation of the financial statements.

#### 3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

#### 3.2 Currency

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

#### 3.3 Contributions

Employer contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions under which they are paid.

#### 3.4 Payments to members

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

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

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

#### 3.5 Expenses

Administrative and investment expenses are accounted for on an accruals basis.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3 ACCOUNTING POLICIES (CONTINUED)

##### 3.6 Investment income

Other than for the Baillie Gifford fund, investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within change in market value of investments.

Income arising from annuity policies is included in investment income and the pensions paid are included in pension payments.

##### 3.7 Change in market value

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 profit and losses realised on sales of investments during the year.

##### 3.8 Valuation of investments

Investments are valued at fair value.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.

The insurance policy has been valued by the Scheme Actuary at the amount of the related obligation on a Section 179 basis. The Trustee considers this to be the most relevant and cost effective method of valuation.

The Trustee holds assets in the form of policies of assurance securing additional benefits for those members electing to pay additional voluntary contributions. AVCs are valued at market value as advised by the relevant provider.

#### 4 CONTRIBUTIONS

	2022 £	2021 £
<b>Employer Contributions</b>		
Deficit funding contributions	13,200,000	2,036,000
Contributions in respect of expenses	425,000	475,000
	<u>13,625,000</u>	<u>2,511,000</u>

In accordance with the Recovery Plan and Schedule of Contributions agreed in October 2019 following the completion of the 2018 triennial valuation, annual deficit funding contributions of £2,036,000 were payable monthly from 1 April 2019 to 30 September 2024. In addition, annual contributions of £475,000 were payable monthly with effect from 1 April 2019 in respect of levies to the Pension Protection Fund and management and administration expenses.

A new Schedule of Contributions and Recovery Plan were implemented in November 2021, following the completion of the 2021 triennial valuation. These require annual deficit funding contributions of £1.8 million to 31 March 2022 (£169,667 per month to 31 October 2021 followed by £122,467 per month to 31 March 2022). Thereafter, annual contributions of £1.8 million are payable in monthly instalments of £150,000 from 1 April 2022 up to 30 September 2026. In addition, a lump sum contribution of £11.4 million was payable by 31 December 2021.

The Employer will also pay annual contributions of £425,000 (payable monthly) with effect from 1 April 2021 in respect of levies to the Pension Protection Fund and management and administration expenses.

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5 BENEFITS PAID OR PAYABLE**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Pension payments	4,775,156	4,683,989
Commutations and lump sum retirement benefits	1,047,624	964,609
Lump sums on death	21,809	2,583
	<u>5,844,589</u>	<u>5,651,181</u>

**6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Individual transfers out to other schemes	832,848	1,619,829
Transfer of AVCs	-	729,991
	<u>832,848</u>	<u>2,349,820</u>

**7 ADMINISTRATIVE EXPENSES**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Administration and processing	145,222	182,672
Pension Protection Fund levies	121,283	131,297
Actuarial and consultancy fees	44,465	80,834
Audit fees	10,600	10,808
Trustee fees and expenses	12,807	33,938
Legal fees and other professional fees	78,339	45,278
Other expenses	586	1,074
	<u>413,302</u>	<u>485,901</u>

**8 INVESTMENT INCOME**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Annuity income	3,247,982	3,360,504
Income from pooled investment vehicles	306,010	405,395
Interest on cash deposits	375	7,303
	<u>3,554,367</u>	<u>3,773,202</u>

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
CHILDREN PENSION SCHEME  
YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 INVESTMENT MANAGEMENT EXPENSES

	2022 £	2021 £
Administration, management and custody	58,103	165,075

10 INVESTMENTS

10.1 RECONCILIATION OF INVESTMENTS

	Value at 1 Apr 2021 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 Mar 2022 £
Pooled investment vehicles	125,051,186	151,738,527	(141,566,154)	2,911,624	138,135,183
Insurance policy	58,165,000	-	-	(5,440,000)	52,725,000
	183,216,186	151,738,527	(141,566,154)	(2,528,376)	190,860,183
Cash	98,701				-
	183,314,887				190,860,183

10.2 TRANSACTION COSTS

Transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the swinging single price or the bid/offer spread of these investments and are not separately reported.

10.3 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets at 31 March 2022:

	Value at 31 Mar 2022 £	2022 % of net assets	Value at 31 Mar 2021 £	2021 % of net assets
Insurance policy - annuities (see note 9.5)	52,725,000	27.6	58,165,000	31.7
Baillie Gifford Diversified Growth Fund (DGF)	-	-	31,812,725	17.3
BlackRock Diversified Growth Fund	-	-	20,797,671	11.3
BlackRock UK Equity Fund	-	-	12,340,813	6.7
Mercer Diversified Growth Fund	37,064,618	19.4	-	-
Mercer Passive Global Equity CCF - Class M-1Gbp	12,705,444	6.7	-	-
Mercer Passive Global Equity CCF - Hedge	12,659,764	6.6	-	-
L&G Property Fund	12,334,106	6.5	10,052,889	5.5
Mercer Flexible LDI £ Real Enhanced Match Fund 3	11,446,938	6.0	-	-
Schroder Secured Finance Fund	11,390,926	6.0	-	-
Insight Secured Finance Fund	11,348,115	5.9	-	-

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10.4 POOLED INVESTMENT VEHICLES

	2022 £	2021 £
Equity Funds	25,365,208	24,565,407
Diversified Growth Funds	37,064,618	52,610,396
Liability Driven Investment (LDI) Funds	34,452,593	36,964,324
Property Funds	12,334,106	10,052,889
Secured Finance Funds	22,739,041	-
Cash Funds	6,179,617	858,170
	<u>138,135,183</u>	<u>125,051,186</u>

### 10.5 INSURANCE POLICIES - ANNUITIES

	2022 £	2021 £
Insurance policies - annuities	52,725,000	58,165,000
	<u>52,725,000</u>	<u>58,165,000</u>

In 2013, the Trustee purchased an insurance policy with Pension Insurance Corporation for a premium of £62.1 million covering 984 pensioners. The transaction was on a "buy-in" basis and the policy is held by the Trustee within the Scheme. A payment of £5,592,396 was made in 2015 to secure a second tranche of 62 pensioners.

### 10.6 FAIR VALUE HIERARCHY

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.

Level 2 Inputs other than the quoted prices included within Level 1 that are observable (i.e. developed for the asset or liability either directly or indirectly).

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

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

	Level 1 £	Level 2 £	Level 3 £	2022 £
Pooled investment vehicles	-	125,801,077	12,334,106	138,135,183
Insurance policy	-	-	52,725,000	52,725,000
	<u>-</u>	<u>125,801,077</u>	<u>65,059,106</u>	<u>190,860,183</u>

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10.6 FAIR VALUE HIERARCHY (CONTINUED)

	Level 1 £	Level 2 £	Level 3 £	2021 £
Pooled investment vehicles	-	114,998,297	10,052,889	125,051,186
Insurance policy	-	-	58,165,000	58,165,000
Cash	98,701	-	-	98,701
	<u>98,701</u>	<u>114,998,297</u>	<u>68,217,889</u>	<u>183,314,887</u>

### 10.7 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 Trustee determines its investment strategy after taking advice from its professional investment advisor, Mercer. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Scheme's strategic investment objectives.

These investment objectives are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio. As they are not considered significant, the Scheme's AVC holdings and Trustee Bank Account balance are not included in these disclosures.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 10.7 INVESTMENT RISKS (CONTINUED)

##### Investment Strategy

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

The Trustee has decided to take some investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the Scheme's liabilities. The Trustee's willingness to take investment risk, and the degree of investment risk, is dependent on the continuing financial strength of the Sponsor and its willingness to contribute appropriately to the Scheme. The financial strength of the Sponsor and its perceived commitment to the Scheme is monitored and the Trustee will consider reducing investment risk relative to the liabilities should either of these deteriorate.

The table below sets out the Scheme's target investment strategy (excluding the bulk annuity):

Manager - Asset Class	Strategic Allocation		Summary of change
	Start	End	
BlackRock UK Equities	8.5%	-	Over the year, the Scheme disinvested from BlackRock and Baillie Gifford and invested the proceeds into MGIE funds
BlackRock Overseas Equities*	8.5%	-	
LGIM Property	8.0%	8.0%	
Baillie Gifford Diversified Growth	25.0%	-	
Blackrock Diversified Growth	15.0%	-	
Blackrock LDI	35.0%	-	
Global Equities*	-	17.0%	
Secured Finance**	-	15.0%	
Diversified Growth	-	25.0%	
Liability Driven Investments	-	35.0%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

\*50% of the overseas currency exposure is hedged back to sterling.

\*\* The Secured Finance mandates are managed through the Mercer Qualifying Investment Fund (QIF) but are structured as separate investments with Insight and Schroders.

The Trustee regularly monitors the Scheme's actual allocation versus the benchmark allocation. The Trustee will instruct the Scheme's administrators on how to invest or disinvest cashflows in order to rebalance back to the target allocation.

The day-to-day management of the assets in accordance with the Scheme's target asset allocation is delegated to professional investment managers. The Trustee has taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that the work is carried out competently. The Trustee has delegated the responsibility for buying and selling investments to the investment managers.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustee's report.



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10.7 INVESTMENT RISKS (CONTINUED)

#### (i) Credit risk

To gain exposure to certain asset classes in a cost effective way (in both monetary and governance terms), the Scheme invests in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £138.1m (2021: £125.1m).

The Scheme is subject to direct credit risk through the annuity contract and the cash held to meet member benefit payments. The direct credit risk on the annuity policy is mitigated through the fact that the Scheme is protected by the Financial Services Compensation Scheme and the relevant regulatory protections around it.

The Scheme is subject to indirect credit risk due to bonds, OTC derivatives, repurchase agreements and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £112.8m (2021: £100.6m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

In respect of the Trustee's approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal. These assets are primarily held for risk management purposes.
- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk
- The credit risk associated with direct cash balances held by the Scheme's custodian or within the Trustee bank account is mitigated by the use of regular sweeps and invested into a liquidity fund or other pooled funds.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.

A summary of the pooled investment vehicles by type of arrangement is shown below.

	2022 £	2021 £
Unit linked insurance contracts	13,179,189	35,476,466
Open-ended investment company	99,590,785	31,812,725
Authorised unit trusts	-	57,761,995
Common Contractual Funds	25,365,209	-
	<u>138,135,183</u>	<u>125,051,186</u>

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 10.7 INVESTMENT RISKS (CONTINUED)

##### (i) Credit risk (Continued)

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 environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers.

##### (ii) Currency risk

The Scheme is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £85.2m (2021: £12.2m). This value includes pooled investment vehicles that have only a partial exposure to currency risk.

The Diversified Growth Fund managers may also take currency positions as part of their active management of the strategies, although the majority of currency risk is expected to be hedged back to sterling.

To limit currency risk, the Trustee have adopted a currency hedging policy whereby they seek to hedge part of the Scheme's developed market equity exposure against currency movements, with 50% of the Scheme's overseas developed equity exposure being hedged back to sterling of the remaining unhedged currency exposure, currency risk is managed by investing in a diversified manner across a range of currencies

##### (iii) Interest rate risk

The Scheme is subject to interest rate risk via its Liability Driven Investment ("LDI") and bond holdings with in Diversified Growth Funds held via pooled investment vehicles, and has entered into insurance contracts.

The Trustee has set a benchmark allocation of 35.0% to LDI. If interest rates fall, the value of these assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate. As at the year end, the Trustee expected these assets to capture 65.0% of all liability exposures, as a percentage of assets. (2021: 85.0% of the impact of interest rates, 85% of the impact of inflation from pre-2030 and post-2050 liability exposures and 55% of the impact from 2030-2050 liability exposures on the change in assets excluding the bulk annuity).

The Scheme holds an annuity contract. There is direct interest rate risk associated with the change in value of this contract in response to changes in interest rates. The Trustee uses this contract to help match a portion of its liabilities which are expected to move in a similar manner in response to changes in interest rates.

##### (iv) Other price risk

Other price risk arises principally in relation to the Scheme's non-bond assets, which includes UK and Global Equities, Property and Diversified Growth Funds.

The Scheme has set a target allocation of 65.0% to non-bond assets. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME

## YEAR ENDED 31 MARCH 2022

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 10.7 INVESTMENT RISKS (CONTINUED)

##### (iv) Other price risk (Continued)

	2022 £	2021 £
Equity Funds	25,365,209	24,565,407
Diversified Growth Funds	37,064,618	52,610,396
Property Funds	12,334,106	10,052,889
Flexi Real LDI	20,675,730	-
Secured Finance	22,739,041	-
Cash Funds	845,083	858,170
	<u>119,023,787</u>	<u>88,086,862</u>

Source: Investment Managers and Mercer.  
Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

#### 11 TAX

The National Society for the Prevention of Cruelty to Children Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme 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.

#### 12 CURRENT ASSETS

	2022 £	2021 £
Bank balance	733,044	813,362
Prepayments	250	250
	<u>733,294</u>	<u>813,612</u>

#### 13 CURRENT LIABILITIES

	2022 £	2021 £
Prepaid annuity income	269,004	275,321
Benefits payable	179,907	114,554
Accrued expenses	138,171	234,378
	<u>587,082</u>	<u>624,253</u>

#### 14 EMPLOYER RELATED INVESTMENTS

The Trustee is satisfied that the proportion of the Scheme assets in employer-related investments does not exceed 5% of the market value of the Scheme assets as at 31 March 2022.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 RELATED PARTY TRANSACTIONS

In accordance with the Scheme Rules, no contributions were paid on behalf of the Trustee Directors during the current or prior reporting period. A Camm is a pensioner of the Scheme and receives benefits in accordance with the Trust Deed and Rules

Trustee fees for the year ended 31 March 2022 of £12,807 (2021: £33,938) were met by the Scheme.

### 16 EVENTS AFTER THE REPORTING PERIOD

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements.

Following the announcement made in the Chancellor's 'mini budget' on Friday 23 September 2022, the gilt market experienced a material sell off as concerns grew around the stability of UK's fiscal position. The sell-off also resulted in a material fall in the value of sterling against the US Dollar (as well as other currencies). The scale of the gilt market volatility resulted in the Bank of England ("BoE") intervening (by committing to purchasing gilts) on Wednesday 26 September, in order to restore market stability.

The result of the market reaction following the mini-budget resulted in a rise in gilt yields, and this has led to a fall in the Scheme's matching assets that are exposed to gilt yields either directly through the Scheme's holdings in gilts and index-linked gilts and indirectly via the Scheme's holding in investment grade corporate bonds.

The Trustee, in conjunction with their advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the sponsor. The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Scheme's investment assets and investment liabilities may have been impacted. Whilst the Trustee monitors the overall position, they have not, at this time, quantified the change (being an increase or decrease) in market value of investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT)

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 agreed between the Trustees of the NSPCC Pension Scheme ("the Scheme") and the Society and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme effective as at 31 March 2021 showed that the accumulated assets of the Scheme represented 84.3% of the Scheme's technical provisions in respect of past service benefits; this corresponds to a deficit of £23,300k at the valuation date.

	£000
The value of the technical provisions was:	148,600
The value of the assets at that date was:	125,300

If the Scheme had been discontinued and wound up at 31 March 2021 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 59%, corresponding to a shortfall of £87,000k.

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

### Method

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefits Method.

### Significant Actuarial Assumptions

**Discount rate:** calculated based on the Nominal Gilt Yield curve, plus 1.45% p.a. for 10 years, 1% p.a. for the next 5 years and 0.5% p.a. thereafter at each term.

**Rate of inflation - Retail Prices Index (RPI):** calculated based on the Gilt inflation curve less 0.15% p.a. at each term.

**Rate of inflation - Consumer Prices Index (CPI):** calculated as the assumption for RPI inflation less 0.85% p.a. at each term until 2030 and less 0.1% p.a. at each term thereafter.

**Revaluation of pensions in deferment:** Elements which have future revaluation in line with CPI subject to a maximum of 5% per annum calculated as CPI inflation at each term subject to a maximum of 5% p.a.

Elements which have future revaluation in line with CPI subject to a maximum of 2.5% per annum calculated as CPI inflation at each term subject to a maximum of 2.5% p.a.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT) (CONTINUED)

### Significant Actuarial Assumptions (continued)

**Pensions increases:** Elements of members' pensions which increase in line with RPI subject to a maximum of 5% per annum will be derived at each term using the Black Scholes methodology with a volatility assumption of 1.75%, subject to a minimum assumption of 0% per annum and a maximum assumption of 5.0% per annum.

Elements of members' pensions which increase in line with RPI subject to a maximum of 2.5% per annum will be derived at each term using the Black Scholes methodology with a volatility assumption of 1.75%, subject to a minimum assumption of 0% per annum and a maximum assumption of 2.5% per annum

### Mortality:

- Pre-retirement: No allowance.
- Post retirement: 100% of the mortality rates in the 2019 VitaCurves for males and for females, projected to the valuation date in line with the approach below
- Allowance for the future improvements: CMI\_2020 core projection model with a 1.50% per annum long term projected rate of improvement and a smoothing parameter ( $S_k$ ) of 7.5 (CMI\_2020 [1.50%;  $S=7.5$ ]), using a year of birth approach. There is no initial addition ( $A=0$ ) and no weighting to 2020 mortality experience ( $w_{2020}=\text{nil}$ ).

The standard rates were not adjusted to take account of material geographical occupational and/or socio-economic factors expected to influence the life expectancy of the scheme membership. The 2019 Vita Curves identify a mortality assumption for each member which reflects his or her individual mortality characteristics.

**Cash commutation:** Members assumed to exchange 90% of maximum cash permitted (ignoring the effect of protection of cash) at the commutation factors in place for the scheme. The commutation factors allow for a 7.8% improvement to reflect the expected changes to commutation factors when they are next reviewed.

### Recovery plan

In light of the deficit arising from the actuarial valuation, a Recovery Plan was agreed between the Trustees and the Society in November 2021. Under the Recovery Plan, the Society will pay monthly deficit funding contributions as:

- £169,667 per month from 1 April 2021 to 31 October 2021; plus
- £122,467 per month from 1 November 2021 to 31 March 2022; plus
- £1,800,000 per annum (payable monthly) from 1 April 2022 until 30 September 2026; plus
- An additional lump sum of £11,400,000 will also be paid by 31 December 2021.

The Society will also pay contributions of £425,000 per annum (payable monthly) with effect from 1 April 2021 in respect of levies payable to the Pension Protection Fund and management and administration expenses.

### Next actuarial valuation

The next triennial valuation is due to be carried out as at 31 March 2024.

## SCHEDULE OF CONTRIBUTIONS

# Schedule of Contributions

### NSPCC Pension Scheme

This schedule of contributions has been prepared by the trustees, after obtaining the advice of Anna Batterley, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 1 October 2019.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 March 2021 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

#### Period covered by this schedule of contributions

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends on 30 September 2026 (or 5 years after date of certification, if later).

#### Contributions by employer in respect of expenses

The employer will pay contributions of £425,000 per annum (payable monthly) with effect from 1 April 2021 in respect of levies payable to the Pension Protection Fund and management and administration expenses.

#### Contributions by employer in respect of the shortfall in funding

In accordance with the recovery plan following the 31 March 2021 actuarial valuation, the employer will pay the following contributions:

- £1.8 million per annum to 31 March 2022 (£169,666.67 per month to 31 October 2021 followed by £122,466.67 per month to 31 March 2022), plus  
£1.8 million per annum payable in monthly instalments of £150,000 from 1 April 2022 up to 30 September 2026, plus
- a lump sum of £11.4 million to be paid by 31 December 2021.

All regular contributions are payable by the 19<sup>th</sup> of the calendar month after that to which they relate.

#### Additional employer contributions

The employer may pay additional contributions of any amount and at any time in addition to those set out above.



NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO  
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SCHEDULE OF CONTRIBUTIONS (CONTINUED)

The Society agreed as part of the scheme closure to review pre-97 discretionary pension increases on an annual basis with the amount available from the Society to fund the increase capped at a maximum of £500,000. Any pre-97 increase remains at the discretion of the Society, and will only be considered when the Scheme deficit is £5,000,000 or less. The assessment of the deficit for this purpose will be carried out approximately by the Scheme Actuary at each 31 March, using the statement of funding principles in place at the date of calculation, updated for financial conditions at the date of calculation.

If the Scheme moves into a surplus position, the pre-97 increase could be funded from the Scheme however, any increase would remain capped at £500,000 and at the Society's discretion.

### Signatures

This schedule of contributions has been prepared and agreed by the trustees.

Signed on behalf of the trustees:

*Signature Withheld*

Name: Lynne Stewart,  
PAN Trustees UK LLP  
Position: Chair of Trustees  
Date: 1 November 2021

This schedule of contributions has been agreed by the employer.

Signed on behalf of the NSPCC:

*Signature Withheld*

Name: PAUL TAYLOR  
Position: FINANCE DIRECTOR  
Date: 1/11/21



SCHEDULE OF CONTRIBUTIONS (CONTINUED)

# Actuary's Certification of Schedule of Contributions

## NSPCC Pension Scheme

### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2021 to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the trustees on) 1 November 2021.

### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the trustees on) 1 November 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 scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	<i>Signature Withheld</i>	1 November 2021
Name:	Anna Batterley	Qualification: Fellow of the Institute and Faculty of Actuaries
Address:	Belvedere, 12 Booth Street, Manchester, M2 4AW	Name of employer: Mercer Limited

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## MEMBERS' INFORMATION

### INTRODUCTION

The Scheme is a defined benefit scheme and is administered by Mercer Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10000420.

### Other information

- (i) The Pensions Ombudsman (TPO) deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. Members have the right to refer a complaint to TPO free of charge.

Contact with TPO about a complaint needs to be made within three years of when the event(s) being complained about happened, or if later, within three years of when a member first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

TPO now operates an Early Resolution Service (ERS) in addition to its normal Adjudication Service that aims to provide a quick, informal and streamlined process. Any member that elects to use the ERS does not need to follow the Trustee's Internal Dispute Resolution Procedure (IDRP). However should any complaint that has gone through the ERS remain unresolved, TPO expects the IDRP to be followed prior to the complaint being passed to its Adjudication Service.

Enquiries should be addressed to:

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



0800 917 4487



[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)



[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

- (ii) The Money and Pensions Service ("MaPS") brings together three respected providers of financial guidance; Pensions Wise, the Money Advice Service and the Pensions Advisory Service. MaPS is committed to ensuring that people throughout the UK have guidance and access to the information that they need to make effective financial decisions over their lifetime. The contact details are:

Money and Pensions Service  
Holborn Centre  
120 Holborn  
London  
EC1N 2TD



01159 659570



[www.moneyandpensionsservice.org.uk](http://www.moneyandpensionsservice.org.uk)

- (iii) The Pensions Regulator (TPR) can intervene if it considers that a scheme's Trustees, 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



0345 600 1011



[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## MEMBERS' INFORMATION (CONTINUED)

### Other information (continued)

- (iv) The Pension Protection Fund (PPF) was established under the Pensions Act 2004 to pay compensation to members of eligible defined benefit pension schemes, when the sponsoring employer has suffered a qualifying insolvency event, and where the scheme is assessed as having insufficient assets to cover PPF levels of compensation.

The PPF is funded by a levy on occupational pension schemes.

- (v) The Trust Deed and rules, the Scheme details, the Schedule of Contributions and Statements of Investment Principles are available for inspection by contacting the Trustee at the address shown for enquiries on page 1. Any information relating to the members' own pension position, including estimates of transfer values, should be requested from the administrators of the Scheme, Mercer Limited, at the address detailed on page 6.

# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

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## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

### Annual Engagement Policy Implementation Statement – Year to 31<sup>st</sup> March 2022

#### 1. INTRODUCTION

This Engagement Policy Implementation Statement (the “Statement”) sets out the Trustee’s assessment of how, and the extent to which, they have followed their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Scheme’s investments during the one-year period to 31 March 2022 (the “Scheme Year”). The Trustee’s policies are set out in their Statement of Investment Principles (“SIP”), dated December 2021. A copy of the Trustee’s SIP is available here.

This Statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 along with guidance published by the Pensions Regulator.

The Trustee invests the assets of the Scheme in a fiduciary arrangement with Mercer Limited (“Mercer”). Under this arrangement Mercer are appointed as a discretionary investment manager and day-to-day management of the Scheme’s assets is by investment in a range of specialist pooled funds (the “Mercer Funds”). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (“MGIE”). MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund’s assets.

Additionally, the Trustee has appointed Legal & General investment Management (“LGIM”) as investment manager for the Scheme’s property fund.

Under these arrangements, the Trustee accepts that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds nor the LGIM Property Fund. However, the Trustee has made Mercer aware that they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustee’s engagement policy and their policy with regard to the exercise of rights attaching to the Scheme’s investments. The Trustee reviews regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented. The Trustee also monitors the LGIM Fund and reviews it on a periodic basis.

Section 2 of this Statement sets out the Trustee’s engagement policy and assesses the extent to which it has been followed over the Scheme Year.

Section 3 sets out the Trustee’s policy with regard to the exercising of rights (including voting rights) attaching to the Scheme’s investments and considers how, and the extent to which this policy has been followed during the Scheme Year. This Section also provides detail on voting activity undertaken by the Scheme’s third party investment managers, within the Mercer Funds, during the Scheme Year.

Taking the analysis included in Sections 2 to 3 together, it is the Trustees belief that their policies with regard to engagement and the exercise of rights attaching to investments has been successfully followed during the Scheme Year.

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME  
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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

2. TRUSTEE’S POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

Policy Summary

The Trustee believes that good stewardship and the incorporation of ESG factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme’s assets over the medium and longer term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustees explicit consideration.

It is the Trustee’s policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), and LGIM report in line with established best practice such as the UK Stewardship Code and UK Corporate Governance Code, where possible, including public disclosure of compliance via an external website, when managing the Scheme’s assets. Further, in appointing the third party asset managers, the Trustee expects MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers’ compliance with this expectation, the Trustee considers regular reports from Mercer that include an assessment of each third party manager’s engagement activity. The Trustee receives quarterly updates on Mercer’s view of LGIM’s ESG capabilities within their reporting.

Should the Trustee consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustee, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees policy on ESG factors, stewardship and climate change.

Policy Updates	Climate Change Reporting and Carbon Foot-printing	ESG Rating Review
The Trustee consider how ESG, climate change and stewardship is integrated within Mercer’s, MGIE’s, and LGIM’s investment processes and those of the underlying asset managers in the monitoring process. Mercer, MGIE, and LGIM have provided reporting to the Trustees on a regular basis.  The Mercer Sustainability Policy is reviewed regularly. In March 2021, there was an update in relation to Sustainable Finance Disclosure Regulation (“SFDR”) implementation.	Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the <b>Scheme</b> , in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.	ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. The Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer’s global investment manager database.



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

<p>In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Engagement Policy to specifically address the requirements of the directive.</p> <p>For LGIM, a separate Sustainability Policy and Engagement Policy reports are accessible online.</p>	<p>The headline Weighted Average Carbon Intensity ("WACI") metric for all equity funds is reporting in the Quarterly Investment Reports whilst an in-depth analysis of top 5 carbon emitters, the top 5 contributors to the WACI, and the trends over time is completed on an annual basis. The latest in-depth analysis is as at 30 June 2021 and also used by the Mercer and MGIE investment team to drive engagement with managers.</p>	<p>As at 31 December 2021, in the Annual ESG review provided by Mercer, the Trustee noted that 88% of Mercer Funds now have an ESG rating equal to or above their asset class universe. This compares to 97% at the end of 2020 but it should be noted that the scope of the review expanded in 2021 to include all liquid multi-client Mercer Funds.</p>
		<p>The Trustee also receives quarterly updates on the ESG ratings of the LGIM Property Fund.</p>

### Approach to Exclusions

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.

Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds, and passive equity funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact ("UNGC") Principles that relate to human rights, environmental and corruption issues.

### Diversity

From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 30 September 2021 33% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and our long term target is 50%. Within the Fixed Income universe the average fund has 8% non-male KDM's and within the average EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

### 3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO FUND INVESTMENTS

#### Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the third party investment managers appointed by Mercer on the Trustee's behalf as well as LGIM. However, the Trustee recognises that given the nature of property investments, there are no voting rights to exercise with respect to the LGIM Fund.

Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. In delegating these rights, MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and so permits the managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustee does not use the direct services of a proxy voter.

Voting: As part of the monitoring of managers' approaches to voting, MGIE assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

Set out below is a summary of voting activity for the year to 31 March 2022 for a range of Mercer Funds that the Scheme's assets are invested in (including the underlying equity funds to which the Scheme has exposure to via the Mercer Diversified Growth Fund). This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.

"Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned. "Other" reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present. "Mixed" refers to occasions where underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with manager.

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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Fund Name	Total Proposals	Vote Decision					For/Against Management	
		For	Against	Abstain	Do not vote	Others*	For	Against
Mercer Passive Global Equity CCF	20,410	89%	9%	0%	0%	2%	88%	12%
Mercer Passive Emerging Markets Equity Fund	24,499	83%	15%	3%	0%	0%	84%	16%
Mercer Passive Global Listed Infrastructure UCITS	3,674	76%	19%	3%	0%	1%	79%	21%
Mercer Passive Global REITS UCITS CCF	3,108	82%	14%	0%	0%	4%	82%	18%
Mercer Passive Global Small Cap Equity UCITS CCF	42,976	82%	14%	0%	0%	3%	83%	17%
Mercer Passive Low Volatility Equity UCITS CCF	4,209	83%	15%	0%	0%	2%	81%	19%
Mercer Passive Sustainable Global Equity UCITS CCF	15,942	80%	17%	1%	0%	2%	80%	20%

**Significant Votes:** Mercer has based its definition of significant votes on its Beliefs, Materiality and Impact (“BMI”) Framework. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering priority areas identified by the BMI Framework.



Sample of the most significant votes

Fund	Shareholder Proposal (“SHP”)	Issuer	Vote Decision
Mercer Passive Global Equity CCF	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Microsoft Corporation	For
	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board	Alphabet Inc	For
	Shareholder Proposal Regarding Diversity and Inclusion Report	Tesla Inc	For
Mercer Passive Emerging Markets Equity Fund	Management Proposal Regarding Share Issuance Authority	Tencent Holdings Ltd.	Against
	Management Proposal Regarding Election of Directors	Taiwan Semiconductor Manufacturing	For
	Management Proposal Regarding Election of Independent Director to Become Audit Committee Member: KIM Sun Uk	Samsung	Against



# NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN PENSION SCHEME YEAR ENDED 31 MARCH 2022

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
<b>Mercer Passive Global Listed Infrastructure UCITS</b>	Management Proposal Regarding Share Issuance Authority	Tencent Holdings Ltd.	Against
	Management Proposal Regarding Election of Directors	Taiwan Semiconductor Manufacturing	For
	Management Proposal Regarding Election of Independent Director to Become Audit Committee Member: KIM Sun Uk	Samsung	Against
<b>Mercer Passive Global Small Cap Equity UCITS CCF</b>	Management Proposal Regarding Advisory Vote on Executive Compensation	Builders Firstsource Inc.	For
	Management Proposal Regarding Advisory Vote on Executive Compensation	TREX Co., Inc.	Against
	Management Proposal Regarding Advisory Vote on Executive Compensation	Marathon Oil Corp.	Against
<b>Mercer Passive Low Volatility Equity UCITS CCF</b>	Shareholder Proposal Regarding Amendment to Clawback Policy	Verizon Communications Inc	For
	Shareholder Proposal Regarding Report on External Public Health Costs	PepsiCo Inc	For
	Shareholder Proposal Regarding Report on Sugar and Public Health	PepsiCo Inc	For
<b>Mercer Passive Sustainable Global Equity UCITS CCF</b>	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Microsoft Corporation	For
	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board	Alphabet Inc	For
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	For
	Shareholder Proposal Regarding Disclosure Concerning Coal, Oil and Gas Assets	BHP Group plc	Against
	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	BHP Group plc	For