

# Clifford Chance Pension Scheme

## **CLIFFORD CHANCE PENSION SCHEME**

**(Scheme Registration Number : 10137020)**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 April 2021**

# Clifford Chance Pension Scheme

## CONTENTS

	<b>Page</b>
<b>Trustee and Advisers</b>	<b>1</b>
<b>Chairman's Review</b>	<b>2</b>
<b>Trustee Directors' Report</b>	<b>3</b>
<b>Statement regarding DC Governance</b>	<b>14</b>
<b>Independent Auditors' Report</b>	<b>29</b>
<b>Fund Account</b>	<b>32</b>
<b>Statement of Net Assets Available for Benefits</b>	<b>33</b>
<b>Notes to the Financial Statements</b>	<b>34</b>
<b>Independent Auditors' Statement About Contributions</b>	<b>45</b>
<b>Summary of Contributions Payable</b>	<b>46</b>
<b>Actuary's certificates and Schedule of Contributions</b>	<b>47</b>
<b>Appendix I – Final Salary section Implementation Statement</b>	<b>51</b>
<b>Appendix I – Money Purchase section Implementation Statement</b>	<b>59</b>

**CLIFFORD CHANCE PENSION SCHEME - TRUSTEE AND ADVISERS:****TRUSTEE:** Clifford Chance Pension Trustees Limited, 10 Upper Bank Street, London, E14 5JJ

<b>BOARD OF DIRECTORS</b>	
<i>Employer Appointed</i>	<i>Member Nominated</i>
Robin Tremaine (Chairman)	Alistair Dawson (Pensioner member)
Anne Drakeford	Meredith Gibson (Deferred member)
Pensions Legacy Trustees Limited (represented by Jane Kola)	David Hatchard (Pensioner member) – retired 23 May 2020
David Saleh	Amrita Jaijee (Deferred member) – appointed 1 July 2020
	Pradeep Patel (Deferred member) – appointed 1 July 2020
	Tim Sherwood-King (Deferred member) – resigned 1 July 2020

<b>SCHEME SECRETARY:</b>	Andy Darlison, Clifford Chance London Limited, 10 Upper Bank Street, London E14 5JJ
<b>SCHEME ADMINISTRATOR:</b>	Clifford Chance London Limited
<b>ACTUARY:</b>	Keith Poulson FIA, Aon
<b>INDEPENDENT AUDITORS:</b>	PricewaterhouseCoopers LLP
<b>LEGAL ADVISERS:</b>	Clifford Chance LLP Sacker & Partners LLP
<b>COVENANT ADVISER:</b>	Aon plc
<b>INVESTMENT ADVISER:</b>	Lane Clark & Peacock LLP
<b>INVESTMENT MANAGERS:</b>	Legal & General Investment Management Ltd BMO Global Asset Management Ltd Invesco Fund Managers Limited IFM Investors JP Morgan (appointed Jul 2019 with investment from Oct 2020) M&G Brown Brothers Harriman (Luxembourg) S.C.A. PIMCO (fully disinvested as of 9 March 2021) Nordea Asset Management BlackRock Investment Management Prudential M&G Schroders Property Investment Management
<b>AVC MANAGERS:</b>	Clifford Chance Pension Scheme (internal Unitised Fund up to Feb 2021) Legal & General Investment Management Ltd (from Feb 2021) Clerical Medical Investment Group Utmost Life and Pensions Scottish Widows plc Aviva Life & Pensions UK Limited
<b>BANKER:</b>	National Westminster Bank plc
<b>PRINCIPAL EMPLOYER:</b>	Clifford Chance London Limited
<b>NAME AND ADDRESS FOR ENQUIRIES:</b>	Andy Darlison, Clifford Chance Pension Scheme, 10 Upper Bank Street, London E14 5JJ ( <a href="mailto:andrew.darlison@cliffordchance.com">andrew.darlison@cliffordchance.com</a> or <a href="mailto:hrradvice@cliffordchance.com">hrradvice@cliffordchance.com</a> )

## **CHAIRMAN'S REVIEW**

### **For the year ended 30 April 2021**

During the year 1 May 2020 to 30 April 2021 there have been quite a number of activities and changes which have again resulted in another very busy year for the Trustee Directors. This review sets out my summary of the main events having an impact on the Scheme. Included in the Trustee Directors' report is a note setting out the continuing impact of Covid-19 on the Scheme.

This year, we have continued to make changes to the investments of the defined benefit arrangements alongside our investment consultant, Lane Clark & Peacock ("LCP").

The changes to the investments included increasing the changes to the investments included increasing the leveraged exposure in the Liability Driven Investment ("LDI") portfolio with BMO Global Asset Management, to reflect an increase in the target liability hedging ratios, which had initially been made at the very end of the 2019 financial year, and making the second investment into an Infrastructure fund with J P Morgan (which was completed in October 2020, once JP Morgan had identified a suitable investment opportunity). We have reviewed our equity holdings and decided to increase our global equities exposure at the expense of our UK equity holding, which was implemented in three stages, the final stage being post year end.

We also finalised the triennial actuarial valuation of the defined benefit arrangements which was carried out as at 30 April 2019. The valuation was concluded on 29 July 2020 and a revised series of required documents were put into place including an agreement to increase the contributions to be paid into the Scheme by the employer along with a guarantee of the liabilities with Clifford Chance LLP.

By March 2021 the investments held for member contributions under the internal Unitised Fund were transitioned to a Workplace policy with Legal & General. After the year end, in September and October 2021 all members who held individual contribution investments in funds operated by Clerical Medical, Utmost, Scottish Widows and Aviva have been provided with the option to switch their holdings to the Legal & General Workplace policy.

Finally, this is the twenty ninth year of producing an annual report and financial statements and it is the sixth year that the financial statements included in the annual report have had to comply with the Financial Reporting Standard 102 and the Statement of Recommended Practice (SORP). The main impact has been an increased level of disclosure about our investments and the financial risks associated with them.

**Robin Tremaine**

**Chairman**

**30 November 2021**

## TRUSTEE DIRECTORS' REPORT

### For the year ended 30 April 2021

The Trustee Directors of the Clifford Chance Pension Scheme (the "Scheme") present their annual report for the year ended 30 April 2021.

#### Scheme Constitution and Management

The Scheme is an occupational pension scheme set up under trust to provide retirement benefits for certain groups of employees of Clifford Chance LLP and its current and former entities. It is governed by the First Supplemental Definitive Trust Deed and Rules dated 13 December 2001 and subsequent amendments.

Responsibility for setting the strategy and for managing the Scheme rests with the Trustee. The persons who acted as Trustee Directors during the year are listed on page 1. The Trustee Directors aim to meet at least quarterly and decisions are passed on a simple majority of those voting. During the year covered by this report the Trustee Directors did, however, meet on ten occasions.

The Trustee may be appointed and removed by the sponsoring employer, Clifford Chance London Limited, and the Trustee Directors may be appointed and removed by a corporate trustee company, Clifford Chance Pension Trustees Limited, under its articles of association.

Since 1997 there has been a formal procedure for the nomination and selection of members of the Scheme to serve as Directors of the Trustee. There have been four Member Nominated Trustee Directors (MNTDs), with at least one MNTDs being an existing deferred member and an existing pensioner member respectively, with the remaining two MNTDs being either further deferred members or further pensioner members.

Following the nomination and selection process effective 1 July 2018 the MNTDs were Alistair Dawson (Pensioner Member); Meredith Gibson (Deferred Member); David Hatchard (Pensioner Member) and Tim Sherwood-King (Deferred Member). Tim ceased to be a MNTD from July 2020 and David slightly earlier. A further nomination process has since taken place and effective 1 July 2020 two new MNTDs, Amrita Jaijee (Deferred Member) and Pradeep Patel (Deferred Member), were nominated and selected. The Scheme is in compliance with the Member Nominated Trustee Regulations requiring at least one third of the Trustee board to be nominated by the membership.

In April 2020 a professional trustee, Jane Kola representing Pensions Legacy Trustees Limited ("PLTL"), was appointed (represented by Jane Kola).

The Trustee Directors' attendance at meetings of the Trustee board is summarised below. Additional trustee meetings can be convened at short notice in order to deal with more immediate matters and it would therefore not be expected, feasible or necessary for all trustee directors to attend.

Trustee Directors	Quarterly board meetings - 4 held	Additional board meetings – 6 held
Alistair Dawson	4	6
Anne Drakeford	4	4
Meredith Gibson	4	4
David Hatchard	-	-
Amrita Jaijee	1	4
Jane Kola (PLTL)	4	6
Pradeep Patel	3	5

David Saleh	4	6
Tim Sherwood-King	1	1
Robin Tremaine	4	6

Trustee Directors are not paid by the Scheme for their services. The Trustee Directors have agreed a business plan to support their governance arrangements. This includes periodic review of registers of risks and conflicts to ensure that appropriate internal controls are put in place and remain effective.

The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee Directors have written agreements in place with each of them.

### Financial developments and financial statements

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

There were no significant developments affecting the financial position of the Scheme during the year.

### Membership and benefits

The change in membership during the year is set out below. As the Scheme matures, the number of Pensioners will form an increasing proportion of the members of the Scheme who have pension benefit entitlements.

<b>Membership Statistics</b>	CCPSFS Deferreds (i)	CCPSMP Deferreds (i)	CCPSFS Pensioners	CCPSFS Beneficiaries	LA Only Members (ii)	Total
At the start of the year	3,854	125	562	64	1,814	6,419
Joiners	-	-	-	-	160	160
Leavers (with no Scheme benefits)	-	-	-	-	(211)	(211)
Transfers out of Scheme	(7)	(4)	-	-	-	(11)
Retirements	(42)	(1)	43	3	-	3
Deaths	(4)	-	(15)	(3)	(2)	(24)
<b>At the end of the year</b>	<b>3,801</b>	<b>120</b>	<b>590</b>	<b>64</b>	<b>1,761</b>	<b>6,336</b>

CCPSFS = Clifford Chance Pension Scheme Final Salary section (of the 3,801 Deferred Members at the end of the year 16 also have Money Purchase benefits)

CCPSMP = Clifford Chance Pension Scheme Money Purchase section

LA = Life Assurance only members

### Notes:-

- (i) Deferred Members are employees who have left the Scheme but retain a right to a pension to be paid to them (or pension account under the Money Purchase section to be available) once they reach age 65 (or for some females, age 60). Following the closure of the Scheme to future benefit accrual after 30 April 2011 there are 304 Deferred Members who also remain members of the Scheme for death in service life assurance benefits.
- (ii) These employees remain covered for death in service lump sum life assurance benefits only under the Scheme.

### Pension increases

The Trust Deed and Rules makes provision for increases in pensions in payment and deferred pensions. The

increases applied depend on when the benefits were accrued and under which pension arrangements. The following table summarises the most recent increases applied. None of the increases was discretionary.

<b>Effective date</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>
<b>Pensions in payment</b>			
1 January 2019	0%	5%	<b>2.7%</b>
1 January 2020	0%	5%	<b>2.2%</b>
1 January 2021	0%	5%	<b>1.2%</b>
<b>Deferred pensions</b>			<b>Actual</b>
1 April 2019	0%	5%	<b>3.0%</b>
1 April 2020	0%	5%	<b>1.5%</b>
1 April 2021	0%	5%	<b>2.9%</b>

### **Transfer values**

All cash equivalent transfer values paid during the year have been calculated and verified in the manner prescribed by the Pensions Schemes Act 1993 and do not include discretionary benefits.

### **Actuarial liabilities**

As required by the 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 eligible pensionable service. This is assessed at least every 3 years using assumptions agreed between the Trustee Directors and the sponsoring employer and set out in the Statement of Funding Principles, a copy of which is available to members on the Scheme's website or on request.

The latest triennial actuarial valuation of the Scheme was carried out as at 30 April 2019 (completed on 29 July 2020).

<b>Valuation date: 30 April</b>	<b>2019</b>
Value of technical provisions	£675m
Value of assets available to meet technical provisions	£499m
as a percentage of technical provisions	74%

Following the closure of the Scheme to future benefit provision with effect from 1 May 2011 there are no further ongoing contributions due although deficit repair contributions remain payable.

In addition to this, the Principal Employer pays an insurance premium to cover the cost of providing the death in service lump sum benefit.

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee Directors also consider the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided as follows at the triennial actuarial valuations carried out as at 30 April 2019:

<b>Valuation date: 30 April</b>	2019
Value of solvency liabilities	£1,369m
Value of assets available to meet solvency liabilities	£499m
as a percentage of solvency liabilities	36%

The value of technical provisions is based on assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns, 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 to be used in the calculation of the technical provisions is the Projected Unit Method.

#### ***Significant actuarial assumptions for 30 April 2019 valuation***

**Pre-retirement discount interest rate:** set by reference to the gilt yield curve plus an addition of 3.4% per annum.

**Post-retirement discount interest rate:** set by reference to the gilt yield curve and data at the valuation date plus an addition of 0.5% per annum.

**Future Retail Price inflation:** derived from the future retail price index curve at the valuation date less an inflation risk premium of 0.1% per annum.

**Pension increases:** derived from the future retail price inflation curve allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

**Mortality:** in line with standard SAPS S3 'light' tables with a scaling factor of 105% for male members and 100% for female members. Future improvements in longevity in line with CMI 2018 tables with a long term rate of improvement of 1.5% per annum.

#### ***Recovery plan***

In respect of the valuation carried out as at 30 April 2016 a recovery plan was agreed between the Trustee Directors and the employer dated 24 July 2017 under which deficit repair contributions of £17m per annum (plus inflationary increases) would be paid for a period of 10 years and 1 month with effect from the first payment due on 31 May 2018. On the basis of conditions prevailing, and allowing for the first deficit repair contribution under the schedule of contributions dated 24 July 2017 being paid on 31 May 2018 along with the monthly on-account contributions of at least £583,333 the Scheme funding deficit was expected to be eliminated by 31 May 2026. These arrangements were formalised in the schedule of contributions which the Scheme Actuary certified on 24 July 2017.

The triennial actuarial valuation of the Scheme as at 30 April 2019 was completed on 29 July 2020 and a new schedule of contributions and recovery plan were agreed and put into place.

Under the new recovery, plan deficit repair contributions of £22m per annum (plus inflationary increases) will be paid for a period of 9 years and 1 month with effect from the first payment due on 31 May 2021 in addition to a single payment of £6m being paid by 31 August 2020. On the basis of conditions prevailing, and allowing for the additional £6m contribution being paid by 31 August 2020 and the deficit repair contribution under the schedule of contributions dated 29 July 2020 being paid on 31 May 2021 along with the monthly on-account contributions of at least £583,333 the Scheme funding deficit is expected to be eliminated by 31 May 2030. These arrangements were formalised in the schedule of contributions which the Scheme Actuary certified on



29 July 2020 and a copy of the schedule and his certificate are included on pages 46 to 49 of this annual report. The next valuation is due as at 30 April 2022.

## **Investment management**

### ***Investment strategy and principles***

The Trustee Directors are responsible for determining the Scheme's investment strategy. In accordance with section 35 of the Pensions Act 1995, the Trustee Directors have agreed a statement of investment principles ("SIP"). The Final Salary SIPs in place during the year were dated December 2019, September 2020 and November 2020, and reflected the changes in investment managers and target asset allocation. Appendices I and II to this annual report includes the Implementation Statements for both the Final Salary and Money Purchase sections of the Scheme for the year ended 30 April 2021. A copy of the SIPs and the Implementation Statements are also available on the Scheme's website ([www.ccpensionsinfocus.co.uk](http://www.ccpensionsinfocus.co.uk)) or on request.

The Trustee Directors' investment strategy considers the Scheme's investments in the following groupings:

- **Final salary assets:** Predominantly equities, diversified funds, absolute return bond funds, property, infrastructure and credit where the objective is to achieve growth within the constraints of the risk profile set by the Trustee Directors; supplemented with an allocation to an LDI strategy that seeks to match movements in the value of the proportion of the Scheme's Technical Provisions; all Final Salary assets are held through pooled investment vehicles.
- **Money purchase assets:** As these are chosen by individual members, the Trustee Directors focus primarily on the suitability of the range of investments offered only for Money Purchase members.

The investment managers are permitted to move away from their targets (within a range specified by the Trustee Directors). This mix of investments provides a suitable spread for the Scheme bearing in mind that, in pension scheme terms, the Scheme is relatively young, both in terms of the age of its membership and the length of time that the Scheme has been in operation. During the year the mix of investments remained within the range specified by the Trustee Directors in the SIP. The managers aim to invest this portfolio in a manner which would enable them to produce real investment returns which adequately meet the long-term pension liabilities of the Scheme.

### ***Management and custody of investments***

The Trustee Directors have delegated management of investments to professional investment managers which are listed on page 1. These managers are regulated by the Financial Conduct Authority in the United Kingdom. The Trustee Directors instruct the investment managers as to the general manner in which the funds should be invested. The assets managed by all managers are invested in pooled funds which gives the Trustee Directors a right to the cash value of the units rather than to the underlying assets. As a result, the Trustee Directors have no influence over the underlying investments and how the investments are acted upon, including voting participation and the consideration of ESG or ethical factors when making investment decisions, although can review the managers' policies and statements of compliance in respect of these matters. The investment managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the underlying assets. The investment management fees charged by all managers involve a cancellation of units in the pooled funds and are not expressed explicitly.

**Investment performance**

The Trustee Directors assess the performance of the Scheme's investments in the following groupings consistent with the overall strategy:

- **Final salary assets** are assessed by reference to benchmarks and performance targets set and agreed with each manager.
- **Money purchase assets:** As these are chosen by individual members, the Trustee Directors receive information about performance against benchmarks. Performance information is provided to members as part of the annual package of information.

The Trustee Directors receive detailed reports from their investment adviser quarterly, along with monthly updates, showing actual performance by manager and fund. Monitoring of managers is delegated to Lane Clark & Peacock although investment managers may be required to present to the Trustee Directors during the year if and when required. Money purchase members are provided with an annual summary of the performance of their chosen fund and further information is available through fund factsheets which are available on the Scheme's website or on request. The last quarterly performance report made available was as at 31 March 2021 (which is the nearest practicable date to 30 April 2021) and the performances (net of fees) are set out in the following table for the Final Salary section:

Annualised return	1 year		3 years (pa)		Allocation at 31 March 2021 (rounded)
	Portfolio	Benchmark/Target	Portfolio	Benchmark/Target	
<b>Final Salary assets</b>					
<b>UK Equities</b>					<b>0.0%</b>
Legal & General (to 17 Mar 21)	23.5%	23.6%	12.2%	12.3%	
<b>Global Equities</b>					<b>16.4%</b>
Legal & General	40.5%	40.8%	13.8%	14.0%	
<b>Property</b>					<b>11.2%</b>
BlackRock	4.0%	2.5%	2.5%	2.4%	
M&G	2.1%	2.5%	0.4%	2.4%	
Schroders	4.5%	2.5%	3.1%	2.4%	
<b>Infrastructure</b>					<b>8.6%</b>
IFM	2.9%	10.0%	n/a	n/a	
J P Morgan (since Oct 2020 – 3mth return)	-1.1%	2.4%	n/a	n/a	
<b>Liability Driven Investment (LDI)</b>					<b>40.6%</b>
BMO	-0.8%	-0.3%	n/a	n/a	
<b>Diversified Growth (DGF)</b>					<b>18.0%</b>
Invesco	-1.6%	5.2%	0.8%	5.6%	
Nordea	9.0%	3.4%	n/a	n/a	
<b>Absolute Return Bond (ARB)</b>					<b>5.1%</b>
M&G	15.3%	2.8%	4.3%	3.2%	
PIMCO	12.0%	2.7%	3.0%	3.1%	
<b>Cash</b>					<b>0.0%</b>
<b>Scheme total</b>	<b>18.7%</b>	<b>17.6%</b>	<b>5.1%</b>	<b>6.1%</b>	<b>100%</b>

Over the 1 year period to 31 March 2021 the Scheme outperformed the composite benchmark/target of 17.6% by 1.1% and over the 3 year period to 31 March 2021 the Scheme underperformed the composite benchmark/target of 6.1% per annum by 1.0% per annum.

The benchmark is made up of the appropriate asset indices for each of the underlying funds, save for the Absolute Return Bond funds (ARBs) and the Diversified Growth Funds (DGFs) where the target return has been used.

The principal economic factors which have affected the benchmarks against which performance is compared were as follows:

### **UK equities**

The UK stock market rallied over May and June after a woeful start to 2020, however it lagged many major equity market indices. This was in part due to its unfavourable sectoral biases, mainly a low allocation to tech stocks and a high allocation to more cyclical areas such as energy and financials. Renewed fears of a disorderly Brexit over the latter part of 2020 saw UK equities post negative third quarter returns. However, matters improved significantly over the last quarter of 2020 following November's positive vaccine news and a last-minute UK-EU Brexit deal in December. The resumption of many company dividend payments, a very successful vaccination programme alongside further fiscal support, helped UK equities outperform overseas peers over the first four months of 2021.

### **Overseas equities**

US equities delivered significant strong performance May and June 2020. Over Q2 2020 as a whole, the S&P 500 and Dow Jones gained 20% and 23% respectively – their largest quarterly gains since 1998 and 1987 respectively. Performance over the third quarter of 2020 was also positive, although September saw some of the gains pared back, prompted by an increase of COVID-19 cases and political indecision. November's arguably market friendly US-election result, the ratification of a \$900bn fiscal stimulus package, as well as positive vaccine news saw US equities finish the year strongly. In early 2021, despite a shaky start US equities provided positive returns to April 2021, as the country's legislature ratified a further \$1.9tn fiscal stimulus package and posted good progress on COVID-19 vaccinations.

The performance of Eurozone markets mirrored that of the US, continuing to rebound over May and June from the lows experienced in March 2020. However, the region's stock markets lost some momentum in Q3 2020, as a resurgence of COVID-19 infections sparked worries about the resilience of the economic recovery. Uncertainty over a Brexit trade deal also weighed on sentiment. Although many countries such as Germany and France had been compelled to reintroduce lockdown restrictions in the face of rising infection rates, news of effective vaccines and further stimulus saw European equities advance up to 30 April 2021.

Despite the pandemic-induced slump in global markets in the first four months of 2020, developed market equities rebounded strongly over the following 12 months on the back of the unprecedented government and central bank policy support and latterly, positive vaccine news.

### **UK property**

At the aggregate level, UK property produced a positive annual return over the year to 30 April 2021. Both rental income and capital values experienced a recovery in the second half of 2020 which carried over into early 2021. Performance dispersion among sectors remains high: the retail and leisure sectors have continued

to struggle with falling valuations, while industrial property has strengthened further, with demand for warehousing remaining high.

### **Global Infrastructure**

Global infrastructure funds delivered a positive return over the year to 30 April 2021 as income increased with rising asset usage. For example, toll roads performed well over the period with rising traffic levels – particularly from heavy vehicle traffic. However, uncertainty in global trade and risks related to the severity and duration of the pandemic impacted the asset class as growth assumptions used in valuations remained low.

### **UK gilts**

Over the period to 30 April 2021, UK government bonds posted negative returns. The rebound of investor sentiment for riskier assets following the unprecedented market downturn in early 2020, saw UK government bonds post negative returns over Q3 2020. Nonetheless, a further loosening of monetary conditions in November – with the Bank of England expanding its Quantitative Easing programme with the commitment to purchase an additional £150bn of UK government bonds – as well as heightened Brexit uncertainty meant that the asset class stabilised over the last quarter of 2020.

However, bond yields (which are inversely related to prices) rose sharply in the first four months of 2021 on the back of the UK's successful vaccination rollout and US fiscal stimulus both of which fuelled optimism of a swifter than anticipated return to economic normality. Expectations of higher inflation, which became more engrained in early 2021, meant that index-linked gilts significantly outperformed their fixed income counterparts over the 12-month period.

The Trustee Directors have considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. Between March 2020 and October 2020 the three property fund investments (totalling £64.5m which was 11.6% of the total Scheme assets at 30 April 2020) were subject to gating and material uncertain valuations. The property funds have, since October 2020, been ungated and valuations are no longer subject to material uncertainty. More details about investments as at the Scheme year end are given in the notes to the financial statements.

### ***Money purchase funds***

Since March 1996 members have had the choice between two investment options, namely:

1. a with-profits arrangement, intending to provide steady growth; and
2. the unitised mixed asset fund investment, which is shared with the main pension scheme, but separately identified by the pensions administration team unitisation arrangements. The aim was to provide higher returns in the longer term, but likely to be more volatile in the short term. The unitised fund was replaced by a Legal & General Workplace pensions policy with all assets transitioned by March 2021.

A further investment option, a cash based fund operated by Clerical Medical, was made available from October 2004 and from 1 May 2015 two "passive" UK Equity and Overseas Equity index funds were made available managed by L&G.

The Trustee Directors originally selected Equitable Life (now Utmost Life) as the office for members who wished to pay AVCs on a with-profits basis. This decision was reviewed and Clerical Medical have been operating the ongoing with-profits contract for some time now. The funds which support with-profits contracts

invest in a diversified range of assets, but in order to support the guarantees offered by the contracts, the funds maintain a larger exposure to fixed interest investments and a correspondingly smaller amount in equities, compared to typical unit-linked managed funds.

Life Office with-profits contracts have a capital guarantee and a bonus structure which enables the capital value of an investment to accumulate steadily. The Clerical Medical policy offers an accumulation of "Bonus Interest" each year and a terminal bonus at the end of the contract term.

It is not possible to provide a sensible analysis of the performance for the Clerical Medical with-profits fund, or to compare it against other with-profits funds. This is primarily due to the changing bonus rates and adjustments under with-profit policies. However, members are provided with an annual summary of the performance of their chosen fund and further information is available through fund factsheets which are available on the Scheme's website or on request.

The Clerical Medical with-profits option has been available since June 2001. The with-profits fund invests in a wide range of stocks and shares. The returns achieved on these investments within their with-profits fund will determine the level of growth achieved by investors in the with-profits fund. This growth is achieved by way of a regular bonus added to member's funds each year. By awarding a regular bonus, the with-profits fund aims to smooth out any fluctuations in market performance. At retirement or on leaving the Scheme, members may also receive an additional bonus payment (the "terminal bonus") to reflect the investment earnings from the with-profits fund. This will depend on the performance of the fund over the period they are invested.

During September and October 2021, all members who held individual contribution investments in funds operated by Clerical Medical, Utmost, Scottish Widows and Aviva have been provided with the option to switch holdings to the Legal & General Workplace policy.

#### ***Employer-related investments***

A statement regarding employer-related investments is given in note 18 to the financial statements.

#### **Impact of Coronavirus ("COVID-19")**

Since its discovery in late 2019 as a new strain of coronavirus disease, COVID-19 developed into a worldwide pandemic in 2020/2021 resulting in severe restrictions on social interactions by authorities around the world. These restrictions resulted in a large reduction in economic activity where workers were unable to attend work and/or where customer demand fell.

As a result, but before the commencement of our accounting year, in March 2020 global markets saw significant reductions in capital values resulting in falls in the Scheme's asset values for both DB and MP investments. Global markets have since seen increased volatility as they react to ongoing developments relating to the extent of the pandemic and responses to it by authorities. The first restrictions began on 22 January 2020 in Wuhan and the World Health Organisation declared a pandemic on 11 March 2020, and the value of investment assets as at 30 April 2020 took into account these events. The value of investments have since recovered.

COVID-19 may also have an effect on mortality rates and assumptions which may, in turn have an effect on the value of the Scheme's actuarial liabilities and funding position which then may result in changes to the Scheme's long term funding strategies. The Scheme's triennial actuarial valuation as at 30 April 2019 was finalised on 29 July 2020 and therefore did not include the effects of COVID-19 on the Scheme's liabilities. The position will however be reviewed as part of the next triennial actuarial valuation to be carried out as at 30 April 2022, if still appropriate. The Trustee did make allowance for the deterioration in financial conditions

when signing the valuation in July 2020, compared to the 30 April 2019 valuation date, by agreeing a Recovery Plan with the employer that targeted addressing a deficit £50m higher than the deficit disclosed at 30 April 2020. The Trustee will continue to monitor events and obtain actuarial advice and, if necessary, obtain additional actuarial valuations.

The Trustee has monitored and will continue to monitor the effects of COVID-19 on the financial strength of the sponsoring employer, and receive reporting from the sponsoring employer in this respect. To date no material impact has been determined.

### *Operational impacts*

The biggest impact faced by the Scheme is continuity of operations and services to members. The administrators have been able to continue to manage the Scheme on behalf of the Trustee as its pre-existing Business Continuity Plan sets out remote working as a response to site unavailability. In practice, the administrators regularly work from home and, as such, were well placed to transition to a longer period of remote working. The Trustee's Board meetings have continued successfully throughout the period since March 2020 by teleconference.

The administration of the Scheme has continued and has been adapted to operate remotely, including direct interaction with members along with the payment of benefits in full and as they fall due.

One of the more significant issues experienced by the Scheme was the temporary gating of the Scheme's property investment funds as they were unable to provide accurate pricing of the funds in the environment in which they operated. This has since abated and the property funds have since been ungated. The trustee subsequently submitted a redemption notice to withdraw from the M&G property fund, although M&G will redeem in staged amounts as they sell respective properties.

Except for the property funds the impact on investment operations has not been significant and rebalancing and strategic changes have continued unaffected during this period.

## **Statement of Trustee's Responsibilities**

### *Trustee's responsibilities in respect of the financial statements*

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

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

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

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

an annual report.

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

***Trustee's responsibilities in respect of contributions***

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

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

**Further information**

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 1.

**Approval**

The Trustee Directors' Report was approved by the Trustee Directors and signed on their behalf by:

**Robin T Tremaine (Trustee Director)**

Date: 30 November 2021

## **Statement regarding DC governance**

### **For the year ended 30 April 2021**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee Directors to prepare a statement regarding governance, which should be included in the annual report.

This statement is in relation to the Money Purchase Section of the Clifford Chance Pension Scheme ("the Scheme") and the Voluntary Contributions ("VCs") for both Money Purchase members and Final Salary members of the Scheme, collectively referred to in this statement as the "Defined Contribution (or "DC") Section". This statement covers the period from 1 May 2020 to 30 April 2021 and is signed on behalf of the Trustee Directors by the Chair.

This statement covers governance and charges disclosures in relation to the following:

- Governance of the default arrangement;
- Processing of core financial transactions;
- Member borne charges and transaction costs, including illustrations of their cumulative impact on members' benefits;
- Value for members assessment; and
- Trustee knowledge and understanding.

Where relevant, this year's statement has also incorporated commentary regarding the additional actions the Trustee Directors have taken to manage the Scheme in light of the COVID-19 global pandemic.

#### **1. Governance of the default arrangement**

Previous years' statements have noted that the Scheme is not used as a Qualifying Scheme for auto-enrolment purposes and it did not have a default arrangement, as defined in the Administration Regulations, because a) the Money Purchase Section was closed to new contributions before 6 April 2015 when these regulations came into force and b) the VC arrangement did not have a default.

As a result of recent bulk transfers, some members of the DC Section of the Scheme are now invested in what could be considered to be a default arrangement, since these members did not select a fund to invest in at the point that their savings were transferred. Further details are given below.

#### ***Utmost Life and Pensions***

On 1 January 2020 Equitable Life transferred its business to Utmost Life and Pensions. As part of this transfer, the Equitable Life With-Profits Fund was closed. The Trustee Directors contacted members of the DC Section of the Scheme who were invested in the Equitable Life With-Profits Fund and invited them to select a new fund with Utmost Life and Pensions, to which their savings would be transferred. A 'default option' was also required for any members who did not make their own fund choice.

Equitable Life proposed a default option for members' savings being transferred from the Equitable Life With-Profits Fund to Utmost Life and Pensions, which the Trustee Directors agreed to adopt (following advice from their DC investment adviser, Aon). The default option is as follows:

- Members' savings were invested in the Utmost Life and Pensions Secure Cash Fund for the first 6 months following the transfer (up to 30 June 2020); and
- Over the following 6 months, members' savings gradually moved from the Utmost Life and Pensions Secure Cash Fund to the Utmost Life and Pensions 'Investing by Age' strategy, so that members were fully invested in this strategy by 31 December 2020.

On completion of the Equitable Life transfer, members of the DC Section of the Scheme who were invested in the Equitable Life With-Profits Fund, and who did not select a new fund with Utmost Life and Pensions, had



their benefits transferred to the Utmost Life and Pensions Secure Cash Fund automatically. During the reporting year, these benefits were then gradually transferred from the

Utmost Life and Pensions Secure Cash Fund to the Utmost Life and Pensions 'Investing by Age' strategy, as described above.

The Trustee Directors have received legal advice that, although the position is not entirely clear, as a result of the transfer requiring a default option, over the reporting year the Utmost Life and Pensions Secure Cash Fund and the Utmost Life and Pensions Investing by Age strategy may be default arrangements for the Scheme as defined in the Administration Regulations. We have therefore prepared this statement on the basis that this is the case.

Both the Utmost Life and Pensions Secure Cash Fund and the Utmost Life and Pensions Investing by Age strategy came into existence on 1 January 2020, when Equitable Life completed its transfer to Utmost Life and Pensions. Over the reporting year, due to the gradual switching of assets discussed above, the Utmost Life and Pensions Secure Cash Fund was a default arrangement from 1 May 2020 to 31 December 2020, and the Utmost Life and Pensions Investing by Age strategy was a default arrangement from 1 July 2020 onwards.

No review of these default arrangements was carried out during the reporting year (or any prior year). However, the Trustee Directors do have processes in place to regularly monitor the performance and suitability of all funds in which members of the DC Section of the Scheme are invested. The Utmost Life and Pensions Secure Cash Fund and the funds underlying the Utmost Life and Pensions 'Investing by Age' strategy were included within this monitoring, which was considered by the Trustee Directors at their meeting of 26 November 2020.

### ***Legal & General***

In March 2021, all assets invested in the Clifford Chance Unitised Managed Fund were transferred in bulk to a new arrangement with Legal & General.

Prior to the transfer, the Trustee Directors contacted members of the DC Section of the Scheme who were invested in the Unitised Managed Fund and invited them to select a Legal & General fund to which their savings would be transferred. A default option was required for any members who did not make their own fund choice. Following advice from their DC investment adviser, the Trustee Directors decided that for members of the Money Purchase Section, this default option would be the Legal & General Target Date Funds and for VC members this default option would be the Legal & General Cash Target Date Funds. Over the reporting year, the Legal & General Target Date Funds and Cash Target Date Funds were therefore default arrangements for the Scheme as defined in the Administration Regulations.

The Trustee Directors agreed the range of Legal & General funds that would be available to members, including the default options, at a meeting on 24 July 2020. Assets were transferred to the Legal & General funds from 8 March 2021 onwards. Therefore, over the reporting year, the Legal & General Target Date Funds and Cash Target Date Funds were default arrangements for the Scheme from 8 March 2021 to 30 April 2021. Given that these default arrangements were established during the reporting year, no review was carried out during the year (or any prior year). Going forward these funds will be included in the regular performance monitoring discussed above and the next full review will be completed no later than 28 February 2024.

The Trustee Directors' policies and objectives in relation to members' DC funds are set out in the Scheme's Statement of Investment Principles for the DC Section of the Scheme, the current version of which has been appended to this statement.

## **2. Processing of Core Financial Transactions**

The Trustee Directors have a specific duty to ensure that core financial transactions (including transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and

payments to and in respect of members) relating to the DC Section of the Scheme are processed promptly and accurately.

In relation to the DC Section of the Scheme, all transactions are undertaken on the Trustee Directors' behalf by the HR Team of Clifford Chance London Limited, in its capacity as the Scheme administrator, and by the Scheme's investment managers.

The Clifford Chance HR team reports to the Trustee Directors on the administration and governance of the Scheme, which includes reporting on the accuracy and timeliness of all DC transactions carried out. The Trustee Directors have concluded that this reporting provides them with the high-level management information required, recognising that it is not currently possible or appropriate for the team to report on performance against Service Level Agreements.

Administration and governance reports are provided regularly throughout the year. Each report summarises all DC transactions that have taken place over the year to date and the timeframe in which they were processed. The Trustee Directors review this information and have concluded that all DC transactions over the year were processed promptly.

The Clifford Chance HR team confirmed to the Trustee Directors that all DC transactions over the year were processed accurately and in line with agreed procedures. Amongst other things, these procedures included performing regular reconciliations of the Scheme bank account and following comprehensive money handling controls (which require two Trustee Directors to sign off all payments from the Scheme).

The Clifford Chance HR team also confirmed to the Trustee Directors that there were no breaches of the law, member complaints or other administrative issues to report to the Trustee Directors over the year.

In regards to the bulk transfer of assets in March 2021 from the Unitised Managed Fund to Legal & General, the Clifford Chance HR team worked closely with the Scheme's investment advisers, along with Legal & General and the investment managers of the underlying assets held by the Unitised Managed Fund, to ensure a timely and accurate transfer of assets took place. Full consideration was given to the method of transferring the assets and the processes followed, to minimise any risks and costs involved with the transfer. Following the completion of the transfer, a post transition report was provided to the Trustee which summarised all of the asset movements that took place and confirmed that the Clifford Chance HR team had carried out checks to confirm that members' closing balances in the Unitised Managed Fund agreed their opening balance with Legal & General.

In light of the above, the Trustee Directors consider that the requirements for processing core financial transactions promptly and accurately have been met over the year.

### **3. Member Borne Charges and Transaction costs**

The Trustee Directors regularly monitor the level of charges borne by members through the funds. These charges comprise:

- express explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER).
- implicit charges, known as transaction costs, such as the costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.

Full details of the member borne costs and charges on all funds in which members of the DC Section of the Scheme were invested over the year are set out in the table below. This information was supplied by each provider or, in the case of the Unitised Managed Fund, was derived from information supplied by the underlying investment managers.

Provider	Fund	Total Expense Ratio (p.a.)	Transaction Cost (p.a.) <sup>1,2,3</sup>
Aviva	Pension Mixed Investment Fund	0.875%	0.087%
	Balanced Fund	0.495%	0.440%
Clerical Medical	Cash Fund	0.495%	0.010%
	Halifax Cash Fund	0.495%	0.000%
	With-Profits Fund	1.000% <sup>10</sup>	0.410%
	Managed Fund	0.750%	0.150%
Utmost Life and Pensions	Property Fund	1.810% <sup>7</sup>	0.010%
	European Equity Fund	0.750%	0.480%
	US Equity Fund	0.750%	0.180%
	Asia Pacific Equity Fund	0.750%	0.430%
	Global Equity Fund	0.750%	0.280%
	Investment Trusts Fund	0.750%	0.400%
	UK Equity Fund	0.750%	0.550%
	UK Government Bond Fund	0.500%	0.030%
	UK FTSE All Share Tracker Fund	0.500%	0.130%
	Money Market Fund	0.500%	0.000%
	Investing by Age Strategy <sup>9,13</sup>	0.500% to 0.750%	0.000% to 0.500%
	Secure Cash Fund <sup>13</sup>	0.500%	0.000% <sup>12</sup>
	Multi-Asset Cautious Fund	0.750%	0.500%
	Multi-Asset Moderate Fund	0.750%	0.410%
	Multi-Asset Growth Fund	0.750%	0.240%
	Sterling Corporate Bond Fund	0.750%	0.000%
Scottish Widows <sup>4</sup>	With-Profits Fund - unitised	0.875% <sup>10</sup>	0.380%
	With-Profits Fund - conventional	See note 11	0.380%
	Mixed Fund	0.920%	0.120%
	Cash Fund	0.895%	0.010%
	UK Equity Fund	0.875%	0.390%
	International Fund	0.921%	0.280%
Clifford Chance <sup>5</sup>	Unitised Managed Fund	0.439% <sup>8</sup>	0.084%
	2020 – 2025 Target Date Fund <sup>13</sup>	0.280%	0.000%
	2025 – 2030 Target Date Fund <sup>13</sup>	0.280%	0.026%
	2030 – 2035 Target Date Fund <sup>13</sup>	0.280%	0.034%
	2035 – 2040 Target Date Fund <sup>13</sup>	0.280%	0.034%
	2040 – 2045 Target Date Fund <sup>13</sup>	0.280%	0.044%
	2045 – 2050 Target Date Fund <sup>13</sup>	0.280%	0.086%
	2020 – 2025 Cash Target Date Fund	0.280%	0.000%
Legal & General	2025 – 2030 Cash Target Date Fund	0.280%	0.000%
	2030 – 2035 Target Date Fund	0.280%	0.028%
	2035 – 2040 Target Date Fund	0.280%	0.028%
	2040 – 2045 Target Date Fund	0.280%	0.048%
	World (ex UK) Equity Index Fund	0.250%	0.000%
	Multi-Asset Fund	0.260%	0.026%
	Future World Equity Fund	0.370%	0.054%
	UK Equity Index Fund	0.230%	0.000%
	Pre-Retirement Fund	0.250%	0.067%

**Notes:**

1. The total costs and charges paid by members is the sum of the TER and transaction costs shown for each fund, plus for Scottish Widows funds a monthly policy fee (see note 4).
2. The transaction costs shown are generally over the year to 31 March 2021 as this is what the managers/providers were able to provide. In general, transaction cost reporting is limited to quarter end dates so information on costs outside of this (e.g. over the period 1 April to 30 April 2021) is generally unavailable. The Trustee Directors' investment advisers are continuing to

request this information on behalf of the Trustee Directors and it is expected that provision of this information should improve over time.

3. Some transaction costs are negative, for these we have applied a floor of 0.0% to avoid potentially understating the level of costs.
4. Members invested with Scottish Widows also pay a policy fee, which over the year was £1.84 per month.
5. Members were invested in the Unitised Managed Fund up until its closure in March 2021.
6. Members have been invested in Legal & General funds from March 2021 onwards, following the bulk transfer from the Unitised Managed Fund.
7. This includes an allowance for property management expenses.
8. This includes an allowance for property expense ratios.
9. The Utmost Life and Pensions Investing By Age Strategy is a lifestyle-type strategy designed to help grow a member's assets while they are younger and automatically shift assets into more conservative investments to protect the value of their savings as they approach retirement age. The underlying funds used in this strategy are the Multi-Asset Cautious, Multi-Asset Moderate and Money Market funds. Since this fund invests in different underlying funds over time, the costs and charges will vary depending on the member's term to retirement, therefore a range is shown.
10. The charges on the Clerical Medical and Scottish Widows unitised with-profits funds are not explicit, they are taken into account when the interest rate or annual bonus rate is declared. However, Clerical Medical has confirmed that it aims to take no more than 1% p.a. in charges and Scottish Widows has estimated that charges on the with-profits fund are in line with those on the unit-linked funds i.e. 0.875% p.a.. We have therefore shown these charge estimates in the table.
11. Scottish Widows were unable to estimate charges in respect of the conventional with-profits fund. The Trustee Directors' investment advisers will continue to request this information.
12. The transaction costs shown are over the year to 31 December 2020 as this is the date at which member savings were fully disinvested from the Utmost Life and Pensions Secure Cash Fund.
13. Over the year these funds were used as default arrangements for the Scheme. All TERs were within the Statutory charges cap for default arrangements.

### **Illustrations of the cumulative effect of costs and charges**

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee Directors have provided illustrations of their cumulative effect on the value of "typical" members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members and funds representative of the Scheme's membership. They are based on a number of assumptions about the future which are set out below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

The tables below illustrate the effect of costs and charges for two typical members of the DC Section of the Scheme. One being a younger age member (age 38) and one being an average age member (age 50). In both cases, the starting pot value has been assumed to be £50,000.

The Scheme's default arrangements have been considered for the illustrations. However, given the Utmost Life and Pensions Secure Cash Fund had no investors by the year end, this has been excluded from the illustrations. In addition, due to another bulk transfer of assets that has taken place since the year end, the Utmost Life and Pensions Investing by Age Strategy will have very few members invested in it going forward and so this too has been excluded from the illustrations.

The Legal & General Target Date Funds have been used for the illustrations, as a default arrangement within the Scheme, The Legal & General Cash Target Date Funds are also a default arrangement but given they would produce very similar illustrations to the Target Date Funds (as the assumed future returns and the level of charges are very similar), we have not shown separate illustrations for them. However, for comparison purposes, two further Legal & General funds have been selected, which have the highest and lowest charges respectively across the Legal & General funds (which are the only funds currently available to all members).

**Younger age member**

	2045 – 2050 Target Date Fund			Future World Equity Fund			UK Equity Index Fund		
Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
38	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0
40	50,882	50,522	360	51,573	51,154	419	51,079	50,852	227
45	53,155	51,852	1,303	55,726	54,156	1,570	53,879	53,047	832
50	55,530	53,217	2,313	60,213	57,335	2,878	56,833	55,337	1,496
55	58,011	54,618	3,393	65,062	60,701	4,361	59,949	57,726	2,223
60	60,603	56,055	4,548	70,301	64,264	6,037	63,235	60,218	3,017
65	63,311	57,531	5,780	75,962	68,036	7,926	66,702	62,817	3,885

**Average age member**

	2035 – 2040 Target Date Fund			Future World Equity Fund			UK Equity Index Fund		
Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
50	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0
55	52,234	51,446	788	54,026	52,935	1,091	52,741	52,158	583
60	54,568	52,933	1,635	58,377	56,042	2,335	55,633	54,410	1,223
65	57,006	54,464	2,542	63,077	59,332	3,745	58,682	56,758	1,924

## Notes:

- i. The projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- ii. For the purpose of these illustrations, inflation has been assumed to be 2.5% each year.
- iii. For the purpose of these illustrations, future returns have been assumed to be as follows:
  - 3.40% each year (before charges) for the 2045-50 Target Date Fund
  - 3.40% each year (before charges) for the 2035-40 Target Date Fund
  - 4.10% each year (before charges) for the Future World Fund
  - 3.60% each year (before charges) for the UK Equity Index Fund
- iv. For the purpose of these illustrations, future charges, allowing for both TERs and transaction costs, have been assumed to be in line with those over the reporting year, as set out earlier in the statement. As the Legal & General funds were new to the Scheme over the year, we have not been provided with transaction cost information for previous years, therefore we have simply assumed future transaction costs will be in line with those over the reporting year. In future years illustrations, average annual transaction costs will be used.
- v. The values shown are illustrations only and are not guaranteed.
- vi. The starting fund value used in the projections is broadly representative of the average for the Scheme and is based on data supplied by the Clifford Chance HR team in May 2020.

**4. Value for Members assessment**

The Administration Regulations require the Trustee Directors to make an assessment of charges and transaction costs borne by DC members and the extent to which those charges and costs represent good Value for Members. There is no legal definition of "good value" or the process of determining this for Scheme members. Therefore, the Trustee Directors have established a cost-benefit analysis framework in order to assess whether the member borne charges on the DC funds in which members' assets are invested deliver good value for members.

Costs

The costs have been identified as the TERs and transaction costs, which are set out in section 3 of this statement. With the exclusion of the with-profits funds, the Trustee Directors have compared the TERs for the Scheme's DC funds to current market rates. The Trustee Directors concluded that for the Unitised Managed Fund and the Legal & General funds, the TERs compared well to the market. For the other funds, although the TERs compare well to similar legacy style arrangements, the Trustee Directors are aware that it may be possible to obtain more competitive rates elsewhere.

Since transaction cost disclosure is relatively new, there is no market benchmarking data available, so the Trustee Directors have not been able to compare the transaction costs on the Scheme's funds to the market. However, the Trustee Directors have received confirmation from their advisers that the transaction costs associated with the arrangements are reasonable based on their general experience of similar funds.

Benefits

The Trustee Directors have considered the benefits of membership under four categories: Scheme governance, investments, administration and member communications. For each category, the Trustee Directors considered the Scheme's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and carried out benchmarking relative to other pension arrangements or industry best practice guidelines. A high-level summary of the assessment is as follows:

- **Scheme governance:**  
The Trustee Directors have built a suitable governance approach for the DC Section of the Scheme. Core financial transactions and other key governance factors are regularly monitored. DC issues are allocated sufficient time at Trustee meetings and included in the Scheme's risk register. The Trustee Directors considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time.
- **Investments:**  
The DC Section of the Scheme offers access to a suitable variety of funds and regular strategy reviews and performance monitoring is carried out (prior to its closure, the performance of the Unitised Managed Fund was monitored monthly; the Legal & General funds are monitored quarterly and all other funds are monitored annually).
- **Administration:**  
As discussed in section 2, the Trustee Directors obtain information to assess the standard of administration, and resulting member experience, through regular reports, feedback and discussions with the Clifford Chance HR team, as Scheme administrator.
- **Member communications:**  
The Trustee Directors provide appropriate communications to members, making use of a variety of communication media. For members that have recently transferred to Legal & General funds, this includes online access with the ability to view an up to date fund value and make investment switches.

The Trustee Directors' assessment concluded that the charges and costs borne by members of the DC Section of the Scheme represent good value for members relative to the benefits of Scheme membership, subject to the below comments:

- As already noted, over the year covered by this statement, the assets invested in the Unitised Managed Fund were transferred in bulk to funds managed by Legal & General. The Trustee Directors believe that this will have further improved value for members.
- The Trustee Directors acknowledge that in relation to the Scheme's unit-linked DC funds held with Aviva, Scottish Widows, Clerical Medical and Utmost Life and Pensions, whilst the costs and charges are in some cases higher than current market rates for non-legacy funds, good value is provided relative to other similar legacy style arrangements. However, the Trustee Directors are also aware that members may be able to obtain better value elsewhere. For this reason, since the end of the year covered by this statement, the Trustee Directors have offered all members the opportunity to transfer to the Scheme's

Legal & General funds.

- In the case of the with-profits funds with Scottish Widows and Clerical Medical, the Trustee Directors have been advised that, given the discretionary nature of regular and final bonuses on with-profits funds, no meaningful performance analysis of the with-profits funds can realistically be provided. This, coupled with the fact that the costs and charges disclosure for the with-profits funds is not transparent, means it is not possible for the Trustee Directors to make a general statement as to the value for members that the costs and charges represent in relation to the with-profits funds.

## **5. Trustees' Knowledge and Understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7. The comments in this section relate to the Trustee Directors dealing with the whole Scheme and are not restricted to the DC Section.

Over the year covered by this statement, two new Trustee Directors were appointed. The Scheme has a new Trustee Director induction process, with introductory trustee training being provided by the Secretary to the Trustee and the new Trustee Directors being made aware of their responsibilities regarding trustees' knowledge and understanding.

The Secretary to the Trustee works with the Chair of the Trustee to manage the Trustee Directors' training schedule, discussing with the Trustee Directors and their professional advisers forthcoming areas of focus and what specific knowledge and understanding requirements may be. A Trustee training record is maintained and regularly updated.

No specific knowledge gaps were identified over the year covered by this statement. During the year the two new Trustee Directors were working towards completing the Pension Regulator's online learning materials, referred to as the 'Trustee Toolkit', which the other Trustee Directors have previously completed. In addition, the Trustee Directors' professional advisers regularly attended Trustee meetings to provide agenda specific training and advice to support the Trustee Directors' decision-making at each point in time. For example, during the year, the Trustee Directors received training on Environmental, Social and Governance (ESG) considerations for the Scheme's investments and on issues relating to Liability Driven Investments (LDI).

The Trustee Directors have engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. Exercising their functions has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Financial Statements and Statement of Investment Principles. Some of the areas that support this statement are set out below.

The Trustee Directors have:

- made decisions on specific member cases, taking into account the requirements of the Scheme's Trust Deed & Rules and also the wider law relating to pensions and trusts;
- carried out regular annual tasks, such as reviewing and signing off the Trustee Report & Financial Statements;
- as part of signing off the Trustee Report & Financial Statements, considered and reviewed required content such as the Scheme's Final Salary and DC Implementation Statements and the DC Chair's Statement;
- reviewed and monitored the investment strategy and investment performance of the Final Salary Section of the Scheme and the Unitised Managed Fund of the DC Section of the Scheme, using their knowledge to consider any options/actions with their professional advisers and reflecting agreed changes in updated versions of the Statement of Investment Principles;
- reviewed the investment performance of the other unit-linked funds (i.e. other than the Unitised Managed Fund) in the DC section of the Scheme;
- considered the longer-term operation of the Unitised Managed Fund and implemented a bulk transfer of

the assets held in that Fund to Legal & General;

- considered whether members invested in other DC funds could also benefit from the option to transfer to the Scheme's new arrangement with Legal & General;
- completed the 2019 actuarial valuation of the Final Salary Section of the Scheme; and
- regularly monitored movements in the Final Salary Section of the Scheme's funding position.

The Trustee Directors therefore consider that they have met the Pensions Regulator's Knowledge and Understanding requirements (as set out under Code of Practice No 7) over the year covered by this statement. Throughout the year, the Trustee Directors also considered the impact of the COVID-19 pandemic on the operation of the Scheme and Trustee board. The Trustee Directors continued to follow plans to ensure that the board could performed effectively during this time, which included reviewing the regularity and format of Trustee meetings (virtual Trustee meetings have been held). In addition, issues such as key person risks have been considered and mitigated against.

The Trustee Directors have a broad range of additional and complementary skills on which to draw. Areas of expertise include Tax law, Property law, Finance and Human Resource.

In addition to the skills within the Trustee board, and as already noted above, the Trustee Directors have engaged with their appointed professional advisers regularly throughout the year. These advisers include Investment Consultants, Actuaries and Lawyers.

The Trustee Directors remain of the opinion that that their skills, including their wider knowledge and background (discussed above), together with the support provided by the Secretary to the Trustee and the Scheme's appointed professional advisers, ensures that the Scheme is run, and the Trustee Directors' functions are exercised, properly. The Trustee Directors believe that this has been demonstrated and evidenced by the regular meetings and correspondence throughout the year, where training and advice has been provided, discussions held and decisions taken in relation to any matters material to the running of the Scheme.

Approved by the Trustee Directors of the Clifford Chance Pension Scheme

**Robin T Tremaine, Chair of Trustee**

Date of signing: 30 November 2021



## **CLIFFORD CHANCE PENSION SCHEME – MONEY PURCHASE SECTION (“THE SCHEME”) STATEMENT OF INVESTMENT PRINCIPLES (“THE STATEMENT”)**

### **1. Scope of Statement**

This Statement sets out the policy of the Trustee of the Clifford Chance Pension Scheme (“the Trustee”) on various matters governing decisions about the investments of the Money Purchase section of the Clifford Chance Pension Scheme. The Trustee maintains a separate Statement for the Final Salary section. This Statement replaces the previous Statement dated September 2020.

This Statement has been prepared in accordance with Section 35 of the Pension Act 1995 (as amended by the Pension Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, which introduced minimum governance standards that apply to all trust-based Defined Contribution (DC) schemes).

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

The effective date of this Statement is 12 March 2021. The Trustee will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without undue delay after any significant change in investment policy.

### **2. Consultations Made**

The Trustee has consulted with the relevant employer in writing this Statement.

The Trustee is responsible for the investment strategy of the Scheme. The Trustee has obtained and considered written professional advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited (“Aon”), the Scheme’s investment adviser for the Money Purchase section, whom the Trustee believes to be suitably qualified and experienced to provide such advice and who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). A copy of this Statement is available to Scheme members on request and is stored on the Scheme's website.

### **3. Objectives and Policy for Securing Objectives**

The Trustee’s primary objectives for setting the investment strategy of the Money Purchase section of the Scheme are:

- “asset choice” to ensure members have an appropriate choice of assets for investment
- “return objective” to enable members to benefit from investment in “growth” assets until they approach retirement, when they will be able to switch to “matching” assets which are more related to the purchasing cost of their income and cash in retirement

### **4. Choosing Investments**

The investment options offered to members of the Money Purchase section are deemed appropriate, given the profile of the membership. A range of funds is available to members. A summary of the investment options available is set out in the Appendix.

In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme asset allocation, when selecting managers and when monitoring their performance.

Day to day selection of stocks is delegated to the fund managers appointed by the Trustee. The Trustee takes regular professional advice when formally reviewing managers or funds offered to members.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to give effect to the principles in this Statement, so far as is reasonably practicable.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

#### **5. The Balance between Different Kinds of Investments**

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from fund selection for the Money Purchase section. The Trustee therefore retains responsibility for selecting a range of appropriate funds for the members to subsequently choose from for the Money Purchase section. The Trustee takes expert advice as required from professional advisers.

#### **6. Implementation of the investment arrangements**

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriate investments.

Details of the investment managers are set out in the Appendix.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers. The Trustee is supported in this monitoring activity by its investment advisers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the

Scheme's investment mandates.

**7. Investment Risk Measurement and Management**

The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of the investment managers and the choice of funds offered to members.

**8. Custody**

The assets managed by all managers are invested in pooled funds which gives the Trustee a right to the cash value of the units rather than to the underlying assets. The investment managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the underlying assets.

**9. Expected Returns on Assets**

Returns achieved by the fund managers within the Money Purchase section are assessed against performance benchmarks set by the Trustee in consultation with the advisers and fund managers.

**10. Realisation of Investments/Liquidity**

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

**11. Consideration of financially material and non-financial matters**

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds but expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate where relevant to financial performance. The Trustee seeks to appoint fund managers that have appropriate skills and processes to do this.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments, but does offer an ESG fund to members as a self-select fund.

**12. Stewardship**

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee has limited influence over managers' stewardship practices where assets are held in pooled funds.

**13. Costs & Transparency**

The Trustee believes it is important to understand all the different costs and charges, which are paid by members. These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- investment platform costs;
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within each fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

Other costs of providing the Scheme, including Scheme administration and Scheme adviser costs, are not charged to members.

The member borne costs of the Scheme are met through annual charges on the funds in which the Scheme members are invested; these charges being a fixed percentage of the value of the assets.

The Trustee collects information on all the member-borne costs and charges on an annual basis, where available, and sets these out in the Scheme's Annual Chair's Statement ("the Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Chair's Statement exercise.

**14. Effective Decision Making**

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

**15. Voluntary Contribution ("VC") Arrangements**

Some members obtained further benefits by paying VCs to the Scheme. These funds are now closed to new contributions. A summary of the investment options that are available for existing contributions is set out in the Appendix.

**R T Tremaine**  
Limited Signature

Director for Clifford Chance Pension Trustees

**A Drakeford**  
Limited Signature

Director for Clifford Chance Pension Trustees

Date: 12 March 2021

## Appendix to Statement of Investment Principles

This Appendix sets out the Trustee's current fund range available for the Money Purchase section of the Scheme and for Voluntary Contributions and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

Provider	Fund	Investment Objectives	Annual Management Charge
Legal & General <sup>1</sup>	Target Date Fund	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to keep their pension savings invested at retirement and 'drawdown' on them as and when they wish.	0.28
	Cash Target Date Fund	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to take their pension savings as a cash lump sum at retirement.	0.28
	Annuity Target Date Fund	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to use their pension savings to purchase a guaranteed pension income (annuity) at retirement.	0.28
	Multi-Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes, which currently includes equities, bonds, property and infrastructure.	0.26
	UK Equity Index Fund	To track the performance of the FTSE All-Share Index (including re-invested income) to within +/- 0.25% each year for two years out of three.	0.23

<sup>1</sup> Replaced the Unitised Mixed Managed Fund in March 2021  
UK-2710131-v2

	World (ex-UK) Equity Index Fund	To track the performance of the FTSE World (excluding UK) Index (including re-invested income) to within +/- 0.50% each year for two years out of three.	0.25
	Future World Fund	To replicate the performance of the FTSE All-World ex-CW Climate Balanced Factor Index <sup>2</sup> . The anticipated annual tracking error, in normal market conditions, relative to the Index is +/-0.60% in two years out of three.	0.37
	Pre-Retirement Fund	To provide diversified exposure to assets that reflect the broad characteristics of investments underlying a typical level annuity product.	0.25
	Cash Fund	To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.	0.22

Provider	Notes	Fund	Annual Management Charge
Utmost Life and Pensions (formerly Equitable Life),	Equitable Life available until December 2000	Unit-linked funds	0.5%-1.48% for unit-linked funds
Clerical Medical, Scottish Widows and Aviva	Scottish Widows and Aviva available until March 1996. Clerical Medical available from June 2001	With-profits and unit-linked funds	0.495% - 0.875% for unit-linked funds Inherent within the bonus declarations for With Profits

Fee structure for advisers and managers

#### Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example one off special jobs, or large jobs), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

#### Investment managers

The investment managers are remunerated as a set percentage of the assets under management as per the annual management charges set out in the table above. This is in keeping with market practice.

<sup>2</sup> This is a specialist equity index which is designed to reflect the performance of the FTSE All-World Index incorporating Climate Change and Controversial Weapons ('CW') considerations and balanced exposure to Value, Quality, Low Volatility and (Small) Size factors.

**Independent auditors' report to the Trustee of the Clifford Chance Pension Scheme**  
**Report on the audit of the financial statements**

***Opinion***

In our opinion, Clifford Chance Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 April 2021, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 30 April 2021; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

***Conclusions relating to going concern***

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

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

***Reporting on other information***

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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 an apparent

material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

### ***Responsibilities for the financial statements and the audit***

#### ***Responsibilities of the Trustee for the financial statements***

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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.

#### ***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.



There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 November 2021

# FUND ACCOUNT FOR THE YEAR ENDED 30 April 2021

	Notes	2021			2020		
		Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
<b>Contributions and Benefits</b>							
Employer contributions	4	26,458	-	26,458	18,188	-	18,188
		26,458	-	26,458	18,188	-	18,188
Benefits paid or payable	5	(5,822)	(2)	(5,824)	(6,005)	(66)	(6,071)
Transfers out to other schemes	6	(845)	(356)	(1,201)	(856)	(1,619)	(2,475)
Other payments	7	(296)	(11)	(307)	(369)	(13)	(382)
		(6,963)	(369)	(7,332)	(7,230)	(1,698)	(8,928)
<b>Net additions/(withdrawals) from dealings with members and employer</b>		19,495	(369)	19,126	10,958	(1,698)	9,260
<b>Net returns on investments</b>							
Investment income	9	1,452	20	1,472	1,823	28	1,851
Investment management expenses	10	(174)	(5)	(179)	(312)	(5)	(317)
Change in market value of investments	11	64,896	962	65,858	3,445	(263)	3,182
		66,174	977	67,151	4,956	(240)	4,716
<b>Net increase/(decrease) in the fund</b>		85,669	608	86,277	15,914	(1,938)	13,976
<b>Opening net assets</b>		544,486	9,110	553,596	528,572	11,048	539,620
<b>Closing net assets</b>		630,155	9,718	639,873	544,486	9,110	553,596

The notes on pages 34 to 44 of this report form an integral part of these financial statements.

**STATEMENT OF NET ASSETS**  
**AVAILABLE FOR BENEFITS AS AT 30 April 2021**

	Notes	Final Salary £'000s	2021 Money Purchase £'000s	Total £'000s	Final Salary £'000s	2020 Money Purchase £'000s	Total £'000s
<b>Investment assets</b>	11						
Pooled investment vehicles		558,822	-	558,822	508,035	7,540	515,575
Voluntary Contributions		31,721	9,718	41,439	29,081	1,462	30,543
		590,543	9,718	600,261	537,116	9,002	546,118
Other investment balances	11	34,059	-	34,059	-	-	-
Current assets	19	16,194	-	16,194	7,370	108	7,478
Current liabilities	20	(10,641)	-	(10,641)	-	-	-
<b>Total net assets available for benefits</b>		630,155	9,718	639,873	544,486	9,110	553,596

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

The actuarial position of the Scheme which takes into account such obligations for the Final Salary section, is dealt with in the report on actuarial liabilities on pages 5 and 6 of the annual report, and these financial statements should be read in conjunction with this report.

The notes on pages 34 to 44 of this report form an integral part of these financial statements.

The financial statements on pages 32 to 44 were approved by the Trustee Directors and signed on behalf of the Trustee Directors of Clifford Chance Pension Trustees Limited:

**Robin T Tremaine (Trustee Director)**

**Date: 30 November 2021**

## **Notes to the financial statements**

### **For the year ended 30 April 2021**

#### **1. General information**

The Clifford Chance Pension Scheme (the "Scheme") is an occupational pension scheme established as a trust under English law.

The Scheme was established to provide retirement benefits to employees of Clifford Chance London Limited. The address of the Scheme's office is 10 Upper Bank Street, London E14 5JJ.

The Scheme has a Final Salary and a Money Purchase section which are both closed to new members and, since May 2011, to future benefit accrual.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees, at the time, are normally eligible to tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

#### **2. Statement of compliance**

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

#### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) **Currency**

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

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Any foreign currency transactions would be translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(b) **Contributions**

Contributions are dealt with on an accruals basis in the period to which they relate.

Any employers' augmentation and additional funding contributions are accounted for in accordance with any agreement under which they may be paid or, in the absence of such an agreement, when received.

Employers' deficit repair funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the employer and the Trustee Directors. These have been paid by the employer for the period 1 May 2020 to 30 April 2021 in accordance with the Schedules of Contributions certified by the Scheme Actuary on 27 June 2017 and 29 July 2020.

(c) **Transfers from and to other plans**

Transfer values represent the capital sums either receivable in respect of members from other investment funds or to the pension plans of new employers or alternative pension arrangements for members who have left the Scheme. They are accounted on an accruals basis on the date when the receiving scheme has accepted liability for the member. In the case of individual transfers, this is normally when the payment of the transfer value is made.

(d) **Benefits and payments to and on account of leavers**

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

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

Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

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

(e) Administrative and other expenses

Administrative expenses are met by the employer. Premiums on term insurance policies are accounted for on an accruals basis.

(f) Investment income and expenditure

Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks would be quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.

Interest on cash and short term deposits and income from other investments are accounted for on an accruals basis.

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Any transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs which may be charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

(g) Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Trustee Directors adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

The methods of determining fair value for the principal classes of investments are:

- Pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.
- The value of pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee Directors. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions

or other factors which prevent realisation at that value, in which case adjustment is made.

- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.
- Unitised insurance policies are valued on the same basis as pooled investment vehicles with similar characteristics.

(h) Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported as at the balance sheet date.

However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

#### 4. Employer contributions

	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Deficit Funding (*)	26,151	-	26,151	17,806	-	17,806
Premiums on term insurance policies	307	-	307	382	-	382
	26,458	-	26,458	18,188	-	18,188

(\*) Clifford Chance London Limited paid deficit funding contributions in accordance with the Schedule of Contributions dated 24 July 2017. Monthly payments of £583,333 were made. The deficit funding also include £4.36m current year benefits and £6.79m deficit repair payments made by Clifford Chance London Limited during the year.

Under the Schedule dated 24 July 2017, deficit funding contributions are due to be paid at £17m per annum for the period up to 31 May 2026, with the first deficit repair payment due to be paid at this rate on 31 May 2018. The amounts payable will also include benefits paid by Clifford Chance London Limited on behalf of the Scheme. The amounts reflected in the financial statements may, in future years, be greater than the deficit funding contributions set out in the Schedule. The amount of each overall deficit funding contribution payment should also increase annually in line with the increase in the Retail Prices Index. The triennial actuarial valuation of the Scheme due as at 30 April 2019 was completed on 29 July 2020 and a new Schedule of Contributions was agreed. Under the new Schedule dated 29 July 2020, deficit funding contributions are due to be paid at £22m per annum for the period up to 31 May 2030 and in addition a single payment of £6m was due and paid by 31 August 2020. The first deficit repair payment was due to be paid at this rate on 31 May 2021 although in this respect the payment due of £10.64m was paid by 30 April 2021 along with an additional single payment of £2.0m. The amounts payable also include benefits paid by Clifford Chance London Limited on behalf of the Scheme. The amounts reflected in the financial statements will, in future years, be greater than the deficit funding contributions set out in the new Schedule. The amount of each overall deficit funding contribution payment will also increase annually in line with the increase in the Retail Prices Index.

#### 5. Benefits paid or payable

	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Pensions	4,360	-	4,360	4,064	-	4,064
Commutations and lump sum retirement benefits	1,036	2	1,038	1,500	66	1,566
Lump sum death benefits	426	-	426	441	-	441
	5,822	2	5,824	6,005	66	6,071

6. Transfers out to other schemes	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Individual transfers to other schemes	845	356	1,201	856	1,619	2,475

7. Other payments	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Premiums on term insurance policies	296	11	307	369	13	382

## 8. Administrative expenses

All administrative, legal, accounting and audit costs are borne by Clifford Chance LLP and are not recharged to the Scheme.

9. Investment income	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Interest on cash deposits	4	1	5	21	1	22
Income from pooled investment vehicles	1,448	19	1,467	1,802	27	1,829
	1,452	20	1,472	1,823	28	1,851

10. Investment management expenses	2021			2020		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Investment fees	174	5	179	312	5	317

Management fees in respect of pooled investment vehicles are recovered from the fund and units in issue.

## 11. Reconciliation of net investments

The investments of the Scheme are divided between the Final Salary and the Money Purchase sections.

	Opening value £'000s	Purchases at cost £'000s	Sales proceeds £'000s	Change in market value £'000s	Closing value £'000s
<b>Final Salary section</b>					
Pooled investment vehicles					
Main fund	508,035	63,264	(76,096)	63,619	558,822
VC investments	22,731	443	(23,269)	95	-
	<u>530,766</u>	<u>63,707</u>	<u>(99,365)</u>	<u>63,714</u>	<u>558,822</u>
External VC investments	<u>6,350</u>	<u>24,688</u>	<u>(499)</u>	<u>1,182</u>	<u>31,721</u>
	537,116	88,395	(99,864)	64,896	590,543
Other investment balances	-				34,059
	<u>537,116</u>	<u>88,395</u>	<u>(99,864)</u>	<u>64,896</u>	<u>624,602</u>

	Opening value	Purchases	Sales	Change in	Closing value
	£'000s	at cost	proceeds	market value	£'000s
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Money Purchase section – all designated to members</b>					
Pooled investment vehicles					
Main fund	6,335	121	(6,729)	273	-
VC investments	1,462	30	(1,624)	132	-
	<u>7,797</u>	<u>151</u>	<u>(8,353)</u>	<u>405</u>	<u>-</u>
External MP investments	<u>1,205</u>	<u>7,956</u>	<u>-</u>	<u>557</u>	<u>9,718</u>
	<u>9,002</u>	<u>8,107</u>	<u>(8,353)</u>	<u>962</u>	<u>9,718</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year, along with any transfer of units in the Unitised fund between the Main fund and VC investments under the Final Salary and Money Purchase sections.

There were material purchases and sales during the year in relation to pooled investment vehicles reflecting the change in investment arrangements, in particular the transition into a sole investor fund and the investment in infrastructure resulting in disinvestment from other fund types.

There were also material transactions in the Main fund and VC investments as a result of the transfer to the L&G Workplace external VC and MP arrangements.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of transaction and indirect costs are not separately provided to the Scheme with the exception of the £55,144 costs as part of the transfer to the L&G Workplace arrangement during the year.

The other investment balances relate to disinvestments from the Invesco and Nordea funds. The transactions took place before the year end and were settled on 4 May 2021.

## 12. Pooled investment vehicles

	2021			2020		
	Final Salary	Money Purchase	Total	Final Salary	Money Purchase	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Equities	98,350	-	98,350	81,906	3,913	85,819
Liability Driven Investments	244,782	-	244,782	217,296	-	217,296
Bond/Absolute Return Bonds (ARBs)	29,313	-	29,313	45,317	1,105	46,422
Diversified growth	70,541	-	70,541	97,644	1,781	99,425
Infrastructure	51,036	-	51,036	25,065	-	25,065
Property	64,800	-	64,800	63,538	997	64,535
	<u>558,822</u>	<u>-</u>	<u>558,822</u>	<u>530,766</u>	<u>7,796</u>	<u>538,562</u>

Any indirect transaction costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It is not possible to quantify any such indirect transactions costs.

The aggregate amounts for the Final Salary and Money Purchase sections are identified separately for information purposes.

Between March 2020 and October 2020 the three property fund investments totalling £64.5m (which represented 11.6% in total of the total net assets of the Scheme at 30 April 2020) were subject to gating and material uncertain valuations. The property funds have, since October 2020, been ungated and valuations are no longer subject to material uncertainty.

## 13. Sole Investor Fund

The Scheme invests in the BMO LDI funds during the year of which it is the sole investor. This is set out as the LDI pooled investment balance shown in note 12 and a breakdown of the underlying investment classes held within the



fund has been included below.

	<b>2021</b>			<b>2020</b>		
	Final Salary £'000s	Money Purchase £'000s	Total £'000s	Final Salary £'000s	Money Purchase £'000s	Total £'000s
Bonds	466,699	-	466,699	402,452	-	402,452
Liquidity Funds	32,313	-	32,313	47,015	-	47,015
Derivatives - net	(4,568)	-	(4,568)	14,823	-	14,823
Repurchase agreements – net	(278,980)	-	(278,980)	(258,950)	-	(258,950)
Cash	29,318	-	29,318	11,956	-	11,956
	244,782	-	244,782	217,296	-	217,296

BMO were unable to provide the direct transactions costs incurred on the sole investor arrangement at the time of reporting.

#### 14. Voluntary contribution (VC) investments

For those members who had elected to invest their own voluntary contributions (VCs) and/or the employer's contribution to the Money Purchase section a number of their assets are held separately in the form of insurance policies. The remainder of the assets are held in the form of units held in the main Unitised Fund. Members participating in these external arrangements and in the Unitised Fund receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts for the Final Salary and Money Purchase sections for all types of investments are as follows:

		<b>2021</b> £'000s	<b>2020</b> £'000s
<b>Final Salary section</b>			
VCs	- Pooled investment vehicles	-	22,731
	- Legal & General	24,995	-
	- Scottish Widows	1,343	1,406
	- Aviva	283	261
	- Clerical Medical	2,547	2,450
	- Utmost Life	2,553	2,233
		<u>31,721</u>	<u>29,081</u>
		<b>2021</b> £'000s	<b>2020</b> £'000s
<b>Money Purchase section</b>			
External MP	- Clerical Medical	1,080	1,028
	- Utmost Life	194	177
	- Legal & General	8,444	-
VCs	- Pooled investment vehicles	-	1,462
		<u>9,718</u>	<u>2,667</u>

Until their transition to Legal & General by March 2021 all contributions invested in the unitised fund were included in the main assets of the Scheme. All units in managed funds held during the year were controlled by companies registered in the UK. The external VC and MP contracts (Legal & General, Scottish Widows, Aviva, Clerical Medical and Utmost Life) contain a mix of investments under with-profits and unit linked funds.

#### 15 Fair value of investments

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

- Level 1** Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date
- Level 2** Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3** Inputs are unobservable, i.e. for which market data is unavailable.

The Scheme's assets have been included at fair value within these categorisations in the table below:

<b>As at 30 April 2021</b>	<b>Level 1 (£m)</b>	<b>Level 2 (£m)</b>	<b>Level 3 (£m)</b>	<b>Total (£m)</b>
Legal & General Overseas Equity Fund	-	98.4	-	98.4
Nordea Diversified Growth Fund	-	70.5	-	70.5
BMO LDI Fund	-	244.8	-	244.8
M&G Alternative Bonds Fund	-	29.3	-	29.3
IFM Infrastructure Fund	-	-	27.2	27.2
JP Morgan Infrastructure Fund	-	-	23.8	23.8
BlackRock Property Fund	-	-	31.9	31.9
Schroder Property Fund	-	-	23.7	23.7
M&G Property Fund	-	-	9.2	9.2
External AVC Funds	-	31.7	-	31.7
External Money Purchase Funds	-	9.7	-	9.7
Other investment balances	34.1	-	-	34.1
<b>Total</b>	<b>34.1</b>	<b>484.4</b>	<b>115.8</b>	<b>634.3</b>

Analysis for the prior year end was as follows:

<b>As at 30 April 2020</b>	<b>Level 1 (£m)</b>	<b>Level 2 (£m)</b>	<b>Level 3 (£m)</b>	<b>Total (£m)</b>
Legal & General UK Equity Fund	-	6.0	-	6.0
Legal & General Overseas Equity Fund	-	79.8	-	79.8
IFM Infrastructure Fund	-	-	25.1	25.1
BMO LDI Fund	-	217.3	-	217.3
Nordea Diversified Growth Fund	-	72.0	-	72.0
Invesco Diversified Growth Fund	-	-	27.4	27.4
M&G Alternative Bonds Fund	-	36.1	-	36.1
PIMCO Alternative Bonds Fund	-	10.3	-	10.3
BlackRock Property Fund	-	-	31.7	31.7
Schroder Property Fund	-	-	22.8	22.8
M&G Property Fund	-	-	10.1	10.1
External AVC Funds	-	6.4	-	6.4
External Money Purchase Funds	-	1.2	-	1.2
<b>Total</b>	<b>-</b>	<b>429.1</b>	<b>117.1</b>	<b>546.2</b>

## 16. Investment risks

### Types of risk relating to investments

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

- **Credit risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk 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 – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – 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 – primarily equity prices), 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 Directors determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below.

### **Risk management structure**

The Trustee Directors are responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee Directors appoint investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target allocations, benchmarks and risk tolerance levels consistent with the Statement of Investment Principles.

The Trustee Directors review the performance of each investment manager against the agreed performance objectives.

### **Risk measurement and reporting**

The Trustee Directors monitor the Scheme's risks periodically. The Trustee Directors measures risks both qualitatively and quantitatively.

The Trustee Directors monitor and measure the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

### **Risk mitigation**

The Scheme has investment guidelines that set out its overall investment strategy and its general approach to risk management, as set out in the Statement of Investment Principles.

The Trustee Directors have appointed an investment adviser to assist them in determining and implementing the investment strategy for the Scheme.

The Trustee Directors acknowledge that its investment managers may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

### **The Scheme's assets**

The Scheme invests in pooled investment vehicles, the underlying assets of which are held separate to the assets of the investment manager.

The Scheme's current assets comprise of:

- An overseas equity fund with L&G
- A diversified growth fund with Nordea
- A diversified growth fund with Invesco
- An alternative bond fund with M&G
- A LDI fund with BMO
- A property fund with BlackRock
- A property fund with Schroders
- A property fund with M&G
- An infrastructure fund with IFM Investors
- An infrastructure fund with JP Morgan
- AVC funds with Clerical Medical, Utmost Life, Scottish Widows and Aviva
- Money Purchase funds with Clerical Medical and Utmost Life

## Total risks

The figures in the table indicate the amount of the portfolio which is subject to the specific risk (note that the balances are rounded). For example the majority of the portfolio is subject to credit and other price risk; whereas only a portion is subject to currency and interest rates.

	30 April 2021 (£m)			30 April 2020 (£m)		
	Final Salary	Money Purchase	Total	Final Salary	Money Purchase	Total
Total direct credit risk	590.5	9.7	600.2	537.2	9.0	546.2
Total indirect credit risk	409.4	-	409.4	421.5	6.2	427.7
Total currency risk	249.2	-	249.2	247.1	3.6	250.7
Total interest rate risk	344.6	-	344.6	357.8	5.3	363.1
Total other price risk	529.4	-	529.4	485.0	7.1	492.1

## Direct credit risk

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

A summary of pooled investment vehicle by type of arrangement is as follows (note that the balances are rounded):

Legal nature of the pooled arrangements	30 April 2021 (£m)			30 April 2020 (£m)		
	Final Salary	Money Purchase	Total	Final Salary	Money Purchase	Total
Unit linked insurance contracts	107.6	-	107.6	121.5	1.8	123.3
Authorised unit trusts	31.9	-	31.9	31.2	0.5	31.7
UK Open ended investment companies	23.7	-	23.7	22.5	0.3	22.8
Limited liability partnerships	51.0	-	51.0	24.7	0.4	25.1
Sole investor authorised fund	244.8	-	244.8	214.2	3.1	217.3
Luxembourg Société d'investissement à Capital Variable (SICAV)	99.9	-	99.9	106.5	1.6	108.1
Irish Investment Company with Variable Capital (ICVC)	-	-	-	10.2	0.1	10.3
<b>Total</b>	<b>558.8</b>	<b>-</b>	<b>558.8</b>	<b>530.8</b>	<b>7.8</b>	<b>538.6</b>

## 17. Concentration of investments

The following investments represent more than 5% of the total value of the net assets of the Scheme at the year end.

	2021	2020
BMO LDI funds - LDI		
Market Value (£,000)	244,782	217,296
Percentage of net assets (%)	38.25%	39.79%
Legal & General Investment Management – Overseas Equity		
Market Value (£,000)	98,350	79,824
Percentage of net assets (%)	15.37%	14.62%

Nordea – Diversified Growth		
Market Value (£,000)	70,541	72,000
Percentage of net assets (%)	11.02%	13.19%
BlackRock – Property		
Market Value (£,000)	31,855	31,687
Percentage of net assets (%)	4.98%	5.80%
M&G – Bonds		
Market Value (£,000)	29,313	36,116
Percentage of net assets (%)	4.58%	6.61%
Invesco – Diversified Growth		
Market Value (£,000)	-	27,426
Percentage of net assets (%)	-	5.02%

### 18. Employer related investments

There were no employer-related investments at 30 April 2021 (2020 – nil).

### 19. Current assets

	2021			2020		
	Final Salary	Money Purchase	Total	Final Salary	Money Purchase	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cash at bank	16,194	-	16,194	7,219	106	7,325
Tax rebate	-	-	-	151	2	153
	16,194	-	16,194	7,370	108	7,478

### 20. Current liabilities

	2021			2020		
	Final Salary	Money Purchase	Total	Final Salary	Money Purchase	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Contributions received in advance – deficit funding	10,641	-	10,641	-	-	-
	10,641	-	10,641	-	-	-

### 21. Related party transactions

Six Directors of the Trustee Company have a beneficiary interest as members of the Scheme (2020 – Six Directors). Where relevant, benefits and contributions in respect of these members have been paid in accordance with the Schedule of Contributions. Clifford Chance LLP is one of the appointed legal advisers to the Scheme and Clifford Chance London Limited, the sponsoring employer and a service company which is funded by Clifford Chance LLP, is the appointed administrator for the Scheme.

There are no payments made to Clifford Chance LLP or Clifford Chance London Limited for the provision of these services.

### 22. Contingencies and commitments

In the opinion of the Trustee Directors, the Scheme had no contingent liabilities or commitments at 30 April 2021 (2020: nil).

### 23. Subsequent events

Since March 2020, COVID-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Trustee, in conjunction with its 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 Employer.

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.

The value of the Scheme's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change in market value of investment assets and investment liabilities as the situation is fluid and unpredictable and therefore such an estimate cannot be made

## **Independent auditors' statement about contributions to the Trustee of Clifford Chance Pension Scheme**

### **Statement about contributions**

#### ***Opinion***

In our opinion, the contributions payable under the schedules of contributions for the Scheme year ended 30 April 2021 as reported in Clifford Chance Pension Scheme's summary of contributions have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 24 July 2017 and 29 July 2020.

We have examined Clifford Chance Pension Scheme's summary of contributions for the Scheme year ended 30 April 2021 which is set out on the following page.

#### ***Basis for opinion***

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedules of contributions, and the timing of those payments.

#### ***Responsibilities for the statement about contributions***

##### ***Responsibilities of the Trustee in respect of contributions***

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

##### ***Auditors' responsibilities in respect of the statement about contributions***

It is our responsibility to provide a statement about contributions and to report our opinion to you.

##### ***Use of this report***

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 November 2021

### Summary of contributions payable to the Scheme in the year

During the year ended 30 April 2021 the contributions payable to the Scheme were as follows:

	<b>Final Salary £'000s</b>	<b>Money Purchase £'000s</b>	<b>Total £'000s</b>
Deficit Funding	26,151	-	26,151
Total contributions payable under the Schedules of Contributions and as reported on by the Scheme Auditors	24,151	-	24,151
Additional Employer Contributions			
- Additional deficit repair contribution	2,000	-	2,000
- Premiums on term insurance policies	307	-	307
<b>Total contributions per the financial statements</b>	<b>26,458</b>	<b>-</b>	<b>26,458</b>

Approved by the Trustee Directors of Clifford Chance Pension Trustees Limited and signed on their behalf by:

**Robin T Tremaine (Trustee Director)**

Date: 30 November 2021



## THE CLIFFORD CHANCE PENSION SCHEME

### SCHEDULE OF CONTRIBUTIONS (JULY 2020)

1. ***Effective date of valuation: 30 April 2019.***
2. ***PERIOD COVERED BY THIS SCHEDULE: THE PERIOD BEGINNING WITH THE DATE OF THE CERTIFICATE OF THE SCHEME ACTUARY IN RELATION TO THIS SCHEDULE (WHICH IS ATTACHED TO THIS SCHEDULE) AND ENDING ON 31 MAY 2030.***
3. ***Employers covered by this Schedule:*** Clifford Chance London Limited ("**CC London**").
4. ***Rates of employer contributions:-***
  - 4.1 Final Salary Section deficit repair - CC London shall pay the following contributions in respect of deficit repair, in accordance with the Scheme's recovery plan:
    - a) £6,000,000 by 31 August 2020; PLUS
    - b) In respect of each 31 May commencing 31 May 2021 up to (and including) 31 May 2030: £22.0m

The amount of each of the above payments, other than that due at 31 August 2020, shall be increased annually in line with the increase in the Retail Prices Index (as defined in the Scheme rules) for the period from 1 January 2021 to 1 January immediately preceding the 31 May by which the payment is due.
  - 4.2 The employers shall in addition pay such further contributions (if any) as may be required from time to time in accordance with the provisions of the Scheme, including pursuant to Clause 24 of the Definitive Trust Deed of the Scheme (augmentation of benefits).
5. ***Dates for payment of employer contributions:-***
  - 5.1 The contributions under paragraph 4.1 b) above shall be payable and due for payment by each respective 31 May. Throughout the Scheme Year preceding each 31 May payment date under this Schedule CC London shall pay monthly contributions of at least £583,333 on account of the contributions due under paragraph 4.1 of this Schedule (such sum to be reduced by making appropriate allowance for the netting off arrangements referred to in paragraph 6 below, if applicable). The Scheme administrators will carry out a reconciliation of the total contributions due by each respective 31 May payment date against the payments made on account during the Scheme Year preceding 31 May payment date in order to determine the balancing payments to be made to the Scheme by CC London or the balancing prepayment credit for CC London. The contributions payable under 4.1a) are in addition to the payment due of £22.0m by 31 May 2021.
6. ***Netting-off against benefit payments*** - the total of the contributions payable to the Scheme by CC London by each respective 31 May shall, unless and until agreed otherwise by the Principal Employer and the Trustee, be reduced by an amount equal to the total of the

benefit payments made by (or on behalf of) CC London on an agency basis for and on behalf of the Trustee for the preceding twelve month period to each respective preceding 30 April. For example, the contribution due by 31 May 2021 shall be reduced by an amount equal to the total of the benefit payments made by (or on behalf of) CC London on an agency basis for and on behalf of the Trustee between 1 May 2020 and 30 April 2021. CC London confirms it will continue to pay all benefit payments due from the Trustee on its behalf.

7. ***Date of this Schedule*** - the date of this Schedule shall be the latest of the dates of signature under paragraph 8 below.
8. This Schedule has been agreed between CC London and the Trustee:-

**Signed: Robin T Tremaine (Trustee Director)**

**Date: 29 July 2020**

**Signed: Jane Kola (Director of Pensions Legacy Trustees Limited as Corporate Trustee of the Scheme)**

**Date: 29 July 2020**

**For and on behalf of Clifford Chance Pension Trustees Limited (as Trustee)**

**Signed: David Harkness (Director)**

**Date: 29 July 2020**

**For and on behalf of Clifford Chance London Limited**

## Notes to the Schedule

- (i) This Schedule supersedes the previous schedule of contributions for the Scheme (signed on 24 July 2017) with effect on and from the date of the certificate of the Scheme actuary in relation to this Schedule (which is attached to this Schedule).
- (ii) At the date of this Schedule, the "Scheme Year" for the Scheme is the period of 12 months beginning on 1 May in each year.
- (iii) Subject as provided in Clause 20 of the Definitive Trust Deed of the Scheme, the Principal Employer bears the administration and management costs and expenses (including PPF levy and other levies) of the Scheme (other than expenses connected with the investment of Scheme funds, which are provided for in the funding of the Scheme and paid from the Scheme funds) and the cost of life assurance premiums. The costs and expenses borne by the Principal Employer on behalf of or as agent for the Trustee are paid on an indemnity basis as they fall due for payment.
- (iv) The certificate of the Scheme actuary in relation to this Schedule is attached to and forms part of this Schedule.
- (v) This Schedule is subject to review at each triennial valuation of the Scheme and otherwise may be reviewed by agreement between the Scheme employers and the Trustee (in which case the revised schedule of contributions for the Scheme must again be certified by the Scheme actuary).
- (vi) Save as provided by legislation, nothing in this Schedule shall affect the employers' rights and obligations regarding the payment of contributions to the Scheme in accordance with the rules of the Scheme from time to time and for the avoidance of any doubt:-
  - (a) It shall not be a breach of the requirements of this Schedule for the employer to pay more contributions to the Scheme in respect of any period than are provided for in paragraph 4 of this Schedule.
  - (b) It shall not be a breach of the requirements of this Schedule for the employer to pay the contributions to the Scheme at an earlier date than as set out in this Schedule.

### **Certificate of schedule of contributions**

Clifford Chance 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 30 April 2019 to be met by the end of the period specified in the Recovery Plan dated 29 July 2020.

### **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 29 July 2020.

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

Signature: 	Date: 29 July 2020
Name: Keith Poulson	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: Aon Solutions UK Limited Verulam Point, Station Way, St Albans, AL1 5HE	Name of employer: Aon Solutions UK Limited

## APPENDIX I - Implementation Statement for the Final Salary section, covering 1 May 2020 to 30 April 2021

The Trustee of the Clifford Chance Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the latest SIP review.

As at 30 April 2021 the Trustee maintained two separate SIPs for the Scheme covering the Final Salary and Money Purchase sections. This Implementation Statement provides details in relation to the Final Salary section only. References to the SIP throughout this Statement relate only to the Final Salary SIP. A separate Implementation Statement has been provided for the Money Purchase Section. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-13 below.

Implementation Statements are also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 14 below.

This Statement is based on, and uses the same headings as, the Scheme’s SIP dated September 2019 between 1 May 2020 and 9 September 2020; and the SIP dated September 2020 between 10 September 2020 and 30 April 2021. This Statement should be read in conjunction with these SIPs, the latest of which can be found online.

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations and guidance from the Pensions Regulator.

### 1. Introduction - Last review of the SIP

The SIP was reviewed and updated during the year on 10 September 2020 to reflect:

- Updates to the fund manager information following changes to the portfolio;
- An increase to the Scheme’s target liability hedging ratio;
- Wording to highlight that from time to time the Scheme may invest in funds outside of the strategic asset allocation as part of the reassignment of units following the retirement, transfer or death benefit payments from the Money Purchase Section or for members holding Voluntary Contributions; and
- Additional wording (where appropriate) to ensure the Trustee meets its statutory requirements.

As part of the SIP update outlined above, the employer was consulted and confirmed it was comfortable with the changes. The Trustee has, in its opinion, followed the policies in the Scheme’s SIP during the year. The following Sections provide detail on and commentary about how and the extent to which it did this.

### 2. Objectives and Policy for Securing Objectives

Progress against the Scheme’s funding objective is reviewed as part of monthly and quarterly performance monitoring. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme’s investment adviser which shows key metrics and information on the Scheme).

As at 30 April 2021, the Scheme was on track to achieve full funding by the target date.

### 3. Choosing Investments

The Trustee, with the help of its investment adviser, Lane Clark & Peacock (LCP), and in consultation with the sponsoring employer, reviewed the Scheme’s synthetic equity arrangements and liability hedging strategy over the year. When the Trustee undertook these reviews, it considered the investment risks set out in section 7 of the SIP.

In December 2020, the Trustee updated the synthetic equity mandate to reduce the allocation to UK equity, and allow the use of derivatives with exposure to broader market indices. These changes were implemented across three tranches on 6 January, 31 March and 30 June 2021. As part of this review, the Trustee made sure the Scheme’s equity exposures were adequately and appropriately diversified between different sectors and geographies, having considered equities held elsewhere in the portfolio.

In March 2021 the Trustee increased the target liability hedge ratio from 65% to 73%, on a Technical Provisions basis, broadly in line with improvements in the Scheme's funding level. In April 2021 the Trustee further increased the Scheme's level of inflation hedging up to 85%, on a Technical Provisions basis, due to concerns over future inflation.

It is the Trustee's policy to only invest in derivatives for the reduction of investment risks or for efficient portfolio management. The bespoke fund, managed by BMO Global Asset Management Ltd on the Trustee's behalf, makes extensive use of derivatives to provide liability hedging and synthetic equity exposure. The liability hedging provided by the mandate leads to a significant reduction in the level of interest rate and inflation risk for the Scheme. The synthetic equity allocation allows the Trustee to gain equity exposure in an efficient manner whilst allowing the Trustee to increase liability hedging to reduce risk. In undertaking changes to the liability hedging and synthetic equity strategies, the Trustee made sure there was sufficient collateral in the mandate to manage these risks, consistent with this policy.

The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. Employer contributions were invested in the Scheme's physical equity, Diversified Growth Fund (DGF) and Liability Driven Investment (LDI) mandates over the year – in each instance to move the Scheme closer to the strategic allocation.

Counterparty risk within the bespoke fund is managed by BMO and reported to the Trustee on a quarterly basis.

#### 4. The Balance between Different Kinds of Investments

This is covered in Section 3 above.

#### 5. Implementation of the investment arrangements

The Trustee updated its policies on the implementation of investment arrangements in the SIP in September 2020 to reflect that it would encourage managers to improve their investment practices where appropriate.

The Trustee monitors the performance of the Scheme's investment managers on a monthly and quarterly basis, using regular monitoring reports. The quarterly report shows the performance of each manager over the quarter, 1 year and 3 years. Performance is considered in the context of the managers' benchmarks and objectives.

Following a period of underperformance, the Trustee made the decision to redeem from the Invesco Global Targeted Return Fund. As a replacement, the Trustee appointed Baillie Gifford and Legal & General Investment Management (LGIM) in April 2021 to manage DGF mandates on behalf of the Scheme. The Trustee was able to agree fee discounts with Baillie Gifford and LGIM when appointing the managers.

Before appointing Baillie Gifford and LGIM, the Trustee received information on the investment process and philosophy, the investment team and past performance. The Trustee obtained formal written advice from LCP before investing in the funds and made sure the portfolios of the funds were suitably diversified.

LCP monitors the investment managers on an ongoing basis, through regular research meetings. LCP monitors any developments with managers and informs the Trustee promptly about any significant updates or events they become aware of that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in.

During the year, the Trustee reviewed the Scheme's bond managers, which had previously held monies earmarked for the JP Morgan infrastructure mandate. JP Morgan called capital for this fund in September 2020, and the Trustee agreed to make a full redemption from the PIMCO GIS Dynamic Bond Fund to fund this. The decision was taken in part due to the high fees of the PIMCO mandate relative to the Scheme's other bond fund.

Overall, the Trustee believes the investment managers provide reasonable value for money.

#### 6. Investment Risk Measurement and Management

Risks are monitored on an ongoing basis with the help of the Scheme's investment adviser.

The Trustee maintains a risk register, and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of LCP or information provided to the Trustee by the

Scheme's investment managers. Key investment risks include credit risk, equity risk and currency risk.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the period the Scheme's hedging levels were broadly in line with the target levels.

The Scheme accesses LDI and synthetic equity via a bespoke fund managed by BMO. To manage collateral adequacy risk, the Trustee has delegated the daily monitoring of leveraged duration in the bespoke fund to BMO. If pre-agreed trigger points are hit, BMO would ask for more capital. The Scheme held sufficient liquid assets in DGFs and physical equities over the period to meet such a capital call from BMO should more collateral be required for the fund.

Together, the investment and non-investment risks set out in the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly in monthly reports and discusses the position at quarterly Trustee meetings.

The following risks are covered elsewhere in this Statement: counterparty risk in Section 3, diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, risk of inadequate returns in Section 8, illiquidity/marketability risk in Section 9 and ESG risks in Section 10.

#### 7. Custody

There are no specific policies in this section of the Scheme's SIP.

#### 8. Expected Returns on Assets

When making changes to the investment strategy over the year, the Trustee considered the expected return on the proposed portfolios, and whether they believed they were sufficient to meet the Scheme's funding objective.

With regard to the risk of inadequate returns, the required return for the Scheme to be fully funded on a Technical Provisions basis by May 2028 (in line with the recovery plan) was assessed as gilts + 3.5% pa as at 30 April 2021. The best estimate expected return on the Scheme's strategic asset allocation was gilts + 3.8% pa.

#### 9. Realisation of investments/Liquidity

The Trustee's policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets. The majority of the Scheme's assets had daily or weekly liquidity over the year under review.

Over the year to 30 April 2021 the majority of the Scheme's cash outflows were met by regular employer contribution payments, not least of which being the pensioner payroll, which is paid by the employer as part of the recovery plan.

The Trustee receives income from the BlackRock UK Property Fund which is retained in the Trustee's bank account and used towards benefit payments.

#### 10. Considerations of financially material and non-financial matters

There were no changes to the policies on the considerations of financially material and non-financial matters and stewardship in the SIP over the Scheme Year.

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other Environmental Social and Governance (ESG) considerations), voting and engagement. These factors were taken into consideration in the appointment of LGIM and Baillie Gifford to manage DGF mandates on behalf of the Scheme.

When IFM Investors (IFM) presented to the Trustee during the year, the Trustee asked questions about IFM's ESG practices. The Trustee also reviewed reports from their managers on voting and engagement policies undertaken on their behalf.

The Trustee does not take into account any non-financial matters (eg matters relating to the ethical and other views of the Employer, members and beneficiaries) in the selection, retention and realisation of investments.

## 11. Stewardship

This is covered in Section 7 above.

## 12. Effective decision making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that, where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to critically evaluate any advice it takes.

In October 2020, the Trustee received additional training on derivatives, in particular using synthetic equities in conjunction with LDI. This was to improve their understanding on the asset class to help them make more informed decisions in their review of the synthetic equity allocation.

In January 2021, the Trustee received training on ESG, covering examples of ESG considerations and how the Scheme can adopt Responsible Investment practices.

The performance of its professional advisers is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for its investment adviser and reviews the adviser's performance against these objectives on a regular basis.

## 13. Voluntary Contribution ("VC") Arrangements

There are no specific policies in this section of the Scheme's SIP. The details of the VC arrangements are detailed in the SIP for the Money Purchase section.

## 14. Description of voting behaviour during the year

All of the Trustee's holdings in equities are within pooled funds, and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have included voting data on the Scheme's funds that hold equities as follows:

- LGIM UK Equity Index Fund;
- LGIM World (ex UK) Equity Index Fund;
- Invesco Global Targeted Return Fund; and
- Nordea Diversified Return Fund

The Trustee has not included information relating to the BMO Bespoke Fund as this fund gains equity exposure synthetically, and therefore there are no voting rights in relation to the equities that are referenced.

LGIM were only able to provide voting data at quarters ends, and hence the data shown is based on votes over the period from 1 April 2020 to 31 March 2021.

The transfer of monies to the new DGF mandates with LGIM and Baillie Gifford were completed following the Scheme Year end, and therefore no voting data has been provided in relation to these funds.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. The managers confirmed there were no other voting opportunities during the period.

### Description of the voting processes

#### 14.1.1 Legal and General Investment Management ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to LGIM. The views expressed by attendees during this event form a key consideration as they continue to develop LGIM's policies and define strategic priorities. LGIM also takes into account client feedback received at regular meetings and ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions



are made by LGIM. The use of ISS' recommendations is to augment LGIM's own research and proprietary ESG assessment tools.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies should observe.

LGIM retains the ability to override any voting decisions. This may happen where engagement with a company has provided additional information that allows LGIM to apply a qualitative overlay to its judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

#### 14.1.2 Nordea Investment Management Limited ("Nordea")

From 1 January 2021, Nordea strives to vote in relation to all its investments (both internally and externally managed). Prior to this, when deciding which company resolutions to vote on, Nordea followed a methodology primarily based on the value of the holding and their ownership level in the specific company. Other factors included were specific ESG reasons, companies needing support or if there was an ongoing engagement.

Nordea's Corporate Governance Principles define how they act in corporate governance-related matters and set the rules for which strategies apply and how voting shall take place. A Corporate Governance Committee helps to ensure appropriate handling of the corporate governance matters, and the operational responsibility rests with the Corporate Governance Function (outside the Responsible Investments organization).

Normally every vote that Nordea casts is considered individually on the background of its bespoke voting policy, which it has developed in-house based on its own principles. Over 2021 Nordea decided to scale up voting to cover most of the voting activities, and it subsequently decided to contract ISS to vote on some of its minor holdings as per its policy. The Corporate Governance unit oversees all voting activity.

Proxy voting is supported by two external vendors (ISS & Nordic Investor Services) to facilitate the voting and provide analytic input, but the final analysis and decision always remains with Nordea.

Nordea's publicly available Voting Portal shows how it has voted in AGMs. Generally, it aims to support proposals aiming to protect or enhance long term shareholder value creation, to improve transparency on material ESG issues and to address ESG risks that have emerged. On climate proposals that require companies to disclose information about its governance, strategy, risk management and targets related to climate-related risks, Nordea will generally be positive. Voting power will be used in cases of company's failure to appropriately manage or mitigate ESG risks or when there is a lack of sustainability reporting.

#### 14.1.3 Invesco Asset Management Limited ("Invesco")

Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

Voting matters are assessed on a case-by-case basis by considering the unique circumstances affecting companies, regional best practices and its goal of maximizing long-term value creation for its clients. The voting decision lies with the asset managers with input and support from the Global ESG team and Proxy Operations functions. The portfolio managers review voting items based on their individual merits and retain full discretion on vote execution conducted through its proprietary proxy voting platform.

Invesco's investor-led proxy voting approach ensures that each meeting is voted in the firm's clients' best interests and for each proposal, both management and shareholder are considered in light of the risk and materiality to the portfolios

Invesco's proprietary voting platform facilitates implementation of voting decisions and rationales across global investment teams. The proxy voting philosophy, governance structure and process are designed to ensure that proxy votes are cast in accordance with clients' best interests.

## 14.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below. Note that numbers may not sum exactly due to rounding.

Fund name	LGIM World (ex UK) Equity Index Fund	LGIM UK Equity Index Fund*	Invesco Global Targeted Return Fund*	Nordea Diversified Return Fund
Total size of fund at end of reporting period (£bn)	6.7	22.0	4.0	3.0
Value of trustee's assets at end of period (£m)	98.3	0.0 <sup>1</sup>	0.0 <sup>1</sup>	70.5
Number of holdings at end of period	2,540	598	315	278
Number of meetings eligible to vote	23,243	943	381	262
Number of resolutions eligible to vote	37,840	12,574	5,649	3,136
% of resolutions voted	98.8%	100.0%	98.2%	50.2%
Of the resolutions on which voted, % voted <u>with</u> management	80.3%	92.9%	93.9%	89.1%
Of the resolutions on which voted, % voted <u>against</u> management	19.2%	7.1%	6.1%	10.2%
Of the resolutions on which voted, % <u>abstained</u>	0.6%	0.0%	0.6%	0.6%
Of the meetings voted on, % with at least one vote against management	6.4%	3.3%	35.7%	28.2%
Of the resolutions voted on, % voted contrary to proxy advisor	0.3%	0.8%	3.7%	10.0%

<sup>1</sup> The Scheme fully disinvested from the LGIM UK Equity Index Fund and Invesco Global Targeted Returns Fund in February 2021 and April 2021 respectively.

## 14.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have provided a sub-set of votes from each manager with a focus on votes relating to financial performance as well as ESG and Stewardship in line with the Trustee's stewardship policy.

### 14.3.1 LGIM – World (ex UK) Equity Index Fund

	Amazon, May 2020	Tyson Foods, February 2021
Summary of resolution	Various policies relating to disclosure and governance structures.	Report on Human Rights Due Diligence
Vote / outcome	Against (2), For (10) / Failed	Against / Failed

<b>Rationale</b>	The news of workers catching COVID-19 and the company's response became an important topic leading up to the vote. Amazon employees consistently reported not feeling safe at work and that paid sick leave was not adequate.	The pandemic highlighted potential deficiencies in the use of its human rights policies such as strict attendance policies, insufficient access to testing, insufficient social distancing, and non-comprehensive COVID-19 reporting.
<b>Criteria for assessment as "most significant"</b>	Amazon is the third largest fund holding. Votes related to various ESG issues which are financially material considerations for the Scheme.	Vote relates to human rights which is a financially material consideration and a social ESG factor.

#### 14.3.2 LGIM – UK Equity Index Fund

	Barclays, May 2020	Imperial Brands, February 2021
<b>Summary of resolution</b>	Approve Barclay's Commitment to Climate Change	Approve Remuneration Report and Approve Remuneration Policy
<b>Vote / outcome</b>	For / Passed	Against / Passed
<b>Rationale</b>	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.	The new CEO was granted a higher base salary than his predecessor. An incoming CEO with no previous experience in the sector, or at a FTSE100 company, should have to prove themselves to be set a salary at the level, or higher, of the incumbent.
<b>Criteria for assessment as "most significant"</b>	Vote relates to climate change which is a financially material consideration and an environmental ESG factor.	Vote relates to remuneration which is a financially material consideration and a governance ESG factor.

#### 14.3.3 Invesco – Global Targeted Return Fund

	Eurofins Scientific, April 2021	Flutter Entertainment, December 2020
<b>Summary of resolution</b>	Approve Creation of Class C Beneficiary Units	Approve Acquisition of the Fastball Shares by TSE Holdings Limited.
<b>Vote / outcome</b>	Against / Passed	For / Passed
<b>Rationale</b>	The creation of class C beneficiary units deviates from the one-share-one-vote principle, as loyal shareholders get an additional loyalty share that has one vote.	The proposed transaction is supported by a compelling strategic rationale.
<b>Criteria for assessment as "most significant"</b>	Vote relates to governance which is a financially material consideration for the Scheme.	Vote relates to a transaction that could have a financially material impact on the share price.

#### 14.3.4 Nordea – Diversified Return Fund

	Cisco, December 2020	Oracle, November 2020
<b>Summary of resolution</b>	Require Independent Board Chairman	Report on Gender Pay Gap
<b>Vote / outcome</b>	For / Failed	For / Failed
<b>Rationale</b>	It is in the best interest of shareholders to separate the CEO and COB functions.	Oracle is lagging other large IT companies when it comes to reporting on gender pay gap.
<b>Criteria for assessment as “most significant”</b>	Vote relates to governance which is a financially material consideration for the Scheme.	Vote relates to diversity which is a financially material consideration for the Scheme and a social ESG factor.

## *APPENDIX II - Implementation Statement for the Money Purchase section, covering 1 May 2020 to 30 April 2021*

The Trustee of the Clifford Chance Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”). The statement must include details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last review of the SIP.

As at 30 April 2021 the Trustee maintained two separate SIPs for the Scheme covering the Final Salary and Money Purchase sections respectively. This Implementation Statement provides details in relation to the Money Purchase section only. A separate Implementation Statement has been provided for the Final Salary section.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP over the year in Sections 2-13 below.

Implementation Statements are also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided, as far as the Trustee has been able to obtain information from the underlying managers, in Section 14 below.

Please note that:

- This Statement uses the same headings as the Scheme's Money Purchase section SIP dated 12 March 2021 and should be read in conjunction with that SIP.
- This Statement relates to the Money Purchase section of the Scheme, which for this purpose, means all defined contribution assets held in the Scheme. This includes the assets held in the Money Purchase section of the Scheme and also the assets held in the Scheme's Voluntary Contribution Arrangements.
- The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations and guidance from the Pensions Regulator.

SIP reviews and amendments over the year to 30 April 2021:

### 1. Review of and changes to the SIP

In September 2020, the Money Purchase section SIP was updated to incorporate additional wording to ensure that the Trustee continued to meet its statutory requirements from 1 October 2020.

Further updates were made to the Money Purchase section SIP in March 2021 to reflect that the Unitised Mixed Managed Fund was no longer an investment option for members, having been replaced by a range of new funds available through Legal and General.

As part of the SIP updates outlined above, the employer was consulted and confirmed it was comfortable with the changes.

Assessment of how the policies in the SIP have been followed over the year to 30 April 2021:

The Trustee has, in its opinion, followed the policies in the Scheme's Money Purchase section SIP during the year. The following sections provide detail on and commentary about how and the extent to which it did this.

### 2. Objectives and Policy for Securing Objectives

The Trustee's primary objectives for setting the investment strategy of the Money Purchase section of the Scheme are:

- 'asset choice' to ensure members have an appropriate choice of assets for investment.

- 'return objective' to enable members to benefit from investment in 'growth assets' until they approach retirement, when they will be able to switch to 'matching' assets which are more related to the format of the benefits they are expected to take at retirement.

The Trustee provided a range of investment options for members to invest their Money Purchase savings throughout the Scheme year. The fund range provided access to equity, multi-asset (including With Profits), pre-retirement and cash funds and therefore ensures members have an appropriate choice of assets for investment.

Prior to March 2021, members may have needed to switch between arrangements to access lower risk funds. However, this was no longer the case after the Trustee provided members with access to a range of new funds managed by Legal and General (see item 3 below). This new fund range included target date funds, which automatically switch into lower risk investments as members approach their target retirement age.

### 3. Choosing Investments

The Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that Environmental, Social and Governance (ESG) factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly.

The Trustee, supported by its professional advisers, carried out a full market review of defined contribution providers over the year, to select a new provider for the investment of the assets held in the Unitised Mixed Managed Fund. This review included consideration of which investments should be offered to members of the Money Purchase section and the ESG credentials of the prospective investment managers. The review concluded with the appointment of Legal and General as a new defined contribution provider for the Scheme. In March 2021, all assets held in the Unitised Mixed Managed Fund were transferred in bulk to Legal and General funds.

During the year, the Trustee also decided that members with Money Purchase assets invested with the Scheme's other defined contribution providers (Utmost Life and Pensions, Clerical Medical, Aviva and Scottish Widows) should be offered the chance to transfer to a fund managed by Legal and General, if they wish to. This action has taken place since the end of the year covered by this Statement.

### 4. The Balance between Different Kinds of Investments

This is covered in sections 2 and 3 above.

### 5. Implementation of the investment arrangements

The Trustee formalised its views on the implementation of investment arrangements and updated its policies in the SIP accordingly in September 2020.

With the exception of certain funds (in particular the Infrastructure, Liability Driven Investment (LDI) and synthetic equity funds), over the year the Unitised Mixed Managed Fund invested in the same funds as the Final Salary Section of the Scheme. Please therefore refer to the Final Salary section Implementation Statement for details of the performance monitoring undertaken over the year for the underlying funds in which the Unitised Mixed Managed Fund invested. Note however that the comments in the Final Salary Implementation Statement regarding the Invesco Global Targeted Return Fund are not applicable to the Money Purchase section, since the Unitised Mixed Managed Fund was closed prior to the changes to those investments. In addition, although the Final Salary section disinvested from the PIMCO GIS Dynamic Bond Fund during the year, the Unitised Mixed Managed Fund did not disinvest, given its imminent closure and bulk transfer to Legal & General.

In addition to the above monitoring, up to March 2021, the Trustee also reviewed the performance of the Unitised Mixed Managed Fund as a whole on a monthly basis, comparing this performance to Scheme and Industry benchmarks.

Following the March 2021 transfer to Legal & General, the Trustee has commenced monitoring of the Scheme's Legal & General funds, through quarterly monitoring reports provided by Legal and General.

The Trustee also reviews the performance of the Scheme's other unit-linked Money Purchase funds (with Utmost Life and Pensions, Clerical Medical, Aviva and Scottish Widows) on an annual basis, comparing performance to suitable Industry benchmarks. The latest review was discussed at the November 2020 Trustee meeting.

The Trustee carries out an annual assessment of whether members receive 'good value' for the costs and charges that they pay and the quality of the investments is one of the areas considered in this assessment. Over the year, a 'value for members' assessment was completed in October 2020.

#### 6. Investment Risk Measurement and Management

The Trustee recognises that members of the Money Purchase section of the Scheme take the investment risk. The Trustee takes account of this in the selection and monitoring of the investment managers and the choice of funds offered to members, which is covered in sections 2, 3 and 5 above.

#### 7. Custody

There are no specific policies in this section of the Scheme's SIP.

#### 8. Expected Returns on Assets

As mentioned in Section 5, over the Scheme year the Trustee monitored the investment performance of the Scheme's unit-linked Money Purchase funds against suitable benchmarks.

#### 9. Realisation of investments/Liquidity

For the Unitised Mixed Managed Fund, the majority of the underlying funds had daily or weekly liquidity over the year under review.

All other Money Purchase section funds are dealt daily and are realisable at short notice through the sale of units in pooled funds, though dis-investment of With Profits holdings at any time other than the policy maturity date (or in the event of death) may result in the application of a market value reduction.

#### 10. Consideration of financially material and non-financial matters

There were no changes to the policies on the consideration of financially material and non-financial matters and stewardship in the SIP over the Scheme year.

For the Unitised Mixed Managed Fund, please refer to the Final Salary section Implementation Statement for the actions the Trustee has taken in relation to the underlying funds in which the Unitised Mixed Managed Fund invests.

In regards to the Scheme's other Money Purchase funds, the Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate where relevant to financial performance. ESG credentials were considered as part of the market review of defined contribution providers carried out over the year (see section 3) and was one of the factors that led to Legal and General's appointment.

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of the Employer, members and beneficiaries) in the selection, retention and realisation of investments, but does offer an ESG driven fund to members through the Legal and General fund range.

#### 11. Stewardship

The Trustee has delegated the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations to its investment managers.

The investment managers' voting behaviour during the year is set out in section 14 below.

#### 12. Costs and Transparency

The Trustee collates details of the costs and charges borne by members invested in the Scheme's Money Purchase funds, as far as it is able to do so, and reports these in the annual 'Chair's Statement'. As discussed in section 5, an assessment of whether members receive 'good value' for these costs and charges is also reported on in the Chair's Statement.

A copy of the latest Chair's Statement for the Scheme can be found in the Trustee's Report and Financial Statements and also online at: <https://pensioninformation.aon.com/cliffordchance>.

### 13. Effective decision making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

Over the year, the Trustee received formal investment advice regarding the appointment of Legal and General as a new defined contribution provider for the Scheme and also on the investment options that would be offered to members through the Legal and General arrangement.

In addition, the Trustee was provided with discussion and advice papers to assist in considering whether to offer members with Money Purchase benefits invested with Utmost Life and Pensions, Clerical Medical, Aviva and Scottish Widows the opportunity to transfer to a Legal and General fund, if they wish.

The Trustee has put in place formal objectives for its investment advisers and reviews the adviser's performance against these objectives on an annual basis.

Voting behaviour over the year to 30 April 2021:

### 14. Description of voting behaviour during the year

The Trustee has delegated the exercise of voting rights to the investment managers under the contracts in place with them.

For the majority of the Money Purchase assets, this related to the same managers (with certain exceptions) as used in the Scheme's Final Salary section from May 2020 until March 2021 and then Legal and General from March 2021 to April 2021. The Trustee has provided fund level information on voting behaviour for these assets.

For the other Money Purchase assets, held with Aviva, Clerical Medical, Scottish Widows and Utmost Life and Pensions, the Trustee has taken a proportionate approach to the disclosures, as the assets under management are relatively small compared to the Final Salary section assets and the Money Purchase assets invested with Legal and General. Therefore, the Trustee has decided not to obtain specific fund level information on voting behaviour for these assets and has instead provided an overview of voting behaviour at manager level.

The Trustee is content that the managers appear to be exercising their respective voting and engagement duties, where applicable, to a satisfactory level at this stage, and that the Trustee's stewardship policy is being appropriately implemented on its behalf.

#### *Unitised Mixed Managed Fund - May 2020 to March 2021*

Up until March 2021, the majority of the Scheme's Money Purchase assets were invested in the Unitised Mixed Managed Fund, which (with the exception of the Infrastructure, LDI and synthetic equity funds) invested in the same funds as the Final Salary Section of the Scheme over the year.

Please therefore refer to the Final Salary Implementation Statement for details of the voting behaviour by the investment managers of the underlying funds (which held assets with voting opportunities) in which the Unitised Mixed Managed Fund invested. The Final Salary Implementation Statement can be found in the Trustee Report and Accounts or online at: <https://pensioninformation.aon.com/cliffordchance>.

#### *Legal & General – March 2021 to April 2021*

In March 2021, the Scheme's Money Purchase assets that were previously invested alongside the Final Salary assets in the Unitised Mixed Managed Fund were transferred to a range of Legal & General funds as follows:

Asset Class	Funds available to Scheme members
Equity	Future World Fund



	UK Equity Index Fund
	World (ex UK) Equity Index Fund
Mixed	Target Date Funds
	Multi-Asset Fund
Fixed Income	Pre-Retirement Fund
Cash	Cash Fund

The Legal & General Funds are managed by Legal & General Investment Management ("LGIM").

#### *LGIM voting policy*

LGIM makes use of the Institutional Shareholder Services ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools but it does not outsource any part of the strategic decisions. LGIM has put in place a custom voting policy with specific instructions that applies to all markets globally and seeks to uphold what LGIM considers to be the minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

The table below sets out the votes cast for each of the LGIM funds with at least some equity exposure that the Scheme invests in, over the 12 months to 31 March 2021. This reflects the most recent information available at the time of writing this statement.

Fund Name	% resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
Future World Fund	99.8%	17.6%	0.6%
Multi-Asset Fund	99.0%	17.7%	0.6%
UK Equity Index Fund	100.0%	7.1%	0.0%
World (ex UK) Equity Index Fund	99.8%	19.2%	0.6%
Future World Multi-Asset Fund (Target Date Fund)	99.8%	19.0%	0.4%
Retirement Income Multi-Asset Fund (Target Date Fund)	99.8%	17.7%	0.6%
Diversified Multi-Factor Equity Fund (Target Date Fund)	99.9%	16.5%	0.4%

Source: LGIM

#### *LGIM voting example: Pearson*

At an Extraordinary General Meeting ("EGM") on 18 September 2020, LGIM voted against the resolution to amend a directors' remuneration policy proposed by Pearson. This resolution sought shareholder approval to grant a co-investment share award (i.e. an incentive plan whereby participants commit significant personal capital and are eligible to receive a "matching" award from the company that is typically linked to their original investment and the long term performance of the company), an unusual step for a UK company. If this resolution was not passed the proposed new CEO would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board earlier in 2020 about the Board's succession plans and progress for the new CEO. LGIM discussed the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed its concerns that the

performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

The vote was deemed significant given Pearson's position as a large well-known UK company, the unusual approach taken by the company and LGIM's outstanding concerns ahead of the vote.

#### *LGIM engagement policy*

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

This engagement policy is firm-wide and applies to both the Scheme's fixed income and equity investments.

More information can be found on LGIM's engagement policy here: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-engagement-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf)

#### *LGIM engagement example: Deforestation*

In 2020, following steps by the Brazilian government to loosen environmental protections, LGIM joined a new investor coalition to lobby the Brazilian government to take steps to halt deforestation in the country. The investor coalition sent letters to several Brazilian embassies in Europe and subsequently, a video conference was scheduled with key members of the Brazilian government. At the video conference the investor coalition called on the Brazilian government to commit to achieving a significant reduction in deforestation and to ensure that existing environmental legislation is enforced.

In response to these engagements, the Brazilian government announced a moratorium on setting fires in the Amazon. However, data released in July 2020 shows that the rate of deforestation in the Amazon is increasing. LGIM will watch developments closely and will continue to engage with the food companies in its portfolio with exposure to soy and cattle farming in Brazil to encourage them to root out deforestation from its supply chain.

#### *Aviva*

##### *Voting policy*

Aviva's voting policy is reviewed on an annual basis and updated subject to Board approval. Final decisions are made by the ESG analysts in conjunction with portfolio managers who inform the decision-making process by bringing their knowledge and assessment of company strategy and any special circumstances. Aviva use governance and other research from a number of sources to support their voting decision. These include the Investment Association's Institutional Voting Information Service ("IVIS") and ISS. Aviva use research for data analysis only and do not automatically follow any voting recommendations.

##### *Engagement policy*

Aviva seek to prioritise engagement by size of holding and where it is most likely to benefit their clients. This allows Aviva to consider additional context from the company which occasionally results

in them changing a vote. In addition, every year Aviva write to the large majority of the companies they hold to notify them of the voting policy (highlighting any changes made), and also direct them to Aviva's voting records, where they are able to see how Aviva have voted at their AGMs etc and reasons for not supporting any resolutions. Aviva maintain a database to record voting and engagement with companies which allows them to review the effectiveness of their work. For Aviva's priority engagements their intention is to review these on a quarterly or half yearly basis.

Under circumstances where, despite engagement with companies, Aviva feels their concerns have not been adequately addressed, the matter may be escalated into a more focused project of intervention aimed at securing changes to the board, management, practices or strategy. As part of Aviva's escalation process, they may ask to discuss issues with executive and/or non-executive directors, work with other institutions and investors to press for change or exercise voting rights against the board. As a last resort Aviva may requisition a general meeting of a company or a resolution at an Annual General Meeting, or support others who are doing so. Aviva may also make public statements where they believe this is appropriate. However, Aviva expect this to happen only in the most extreme cases.

Aviva's engagement policy is publicly available at: <https://www.aviva.co.uk/services/about-our-business/about-us/our-approach-to-responsible-investing/>

#### *Scottish Widows and Clerical Medical*

Clerical Medical and Scottish Widows do not disclose the underlying managers of their With-Profits Fund assets, and they have not provided information about voting behaviour with respect to these funds.

The Clerical Medical and Scottish Widows unit-linked funds used by the Scheme have their underlying investments managed by Schroder Investment Management Limited ("Schroders").

#### *Schroders voting policy*

When voting, Schroders receive research from both ISS and the IVIS for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their own policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

On a quarterly basis, Schroders also produce sustainable investment reports at the firm level, and in the quarter to 31 March 2021, the firm has voted on 96.5% of all possible resolutions. Schroders voted on 14 ESG-related shareholder resolutions, of which it voted with management on 10.

#### *Schroders engagement policy*

Schroders define engagement to be purposeful communication with an entity (e.g. government, corporate, institution, financial counterparties, regulator, industry body (or managers of Special Purpose Vehicles or funds)) on particular matters of concern with the goal of encouraging change at the entity and/or wider system improvement. Active ownership is a key part of the ESG process at Schroders.

#### *Utmost Life and Pensions*

Utmost Life and Pensions ("Utmost") are responsible for choosing the funds on their platform but are not directly involved in the day-to-day management of assets. Currently Utmost partner with JP Morgan Asset Management ("JPMAM") and appointed them to be the asset manager that manages the unit-linked funds on the Utmost platform. In addition to JPMAM, former Equitable Life funds are also managed by Aberdeen Standard Investments ("ASI").

#### *JPMAM voting policy*

JPMAM retains the services of the ISS voting agency to implement the JPMorgan Asset Management voting policy and uses research from ISS and Glass Lewis as an input in evaluating how a proxy should be voted. JPMAM 'tag' certain votes in the ISS system, to allow them to be subject to extra scrutiny, for example if engagement is ongoing, or if the company has been flagged as an 'ESG outlier', or if an analyst or portfolio manager has requested it be reviewed in more detail.

JPMAM votes at approximately 8,000 shareholder meetings per year, in over 80 markets worldwide. For key issues or core shareholdings, or where there is ongoing engagement, they endeavour to inform companies when opposing their recommendations.

#### *JPMAM engagement policy*

In their engagement with the companies they invest in, JPMAM have five main investment stewardship priorities that they believe are most applicable. Governance, Strategy alignment with the long-term, Human capital management, Stakeholder engagement and climate risk. Please see the link here for more information on Investment Stewardship at JPMAM: <https://am.jpmorgan.com/blob-im/1383664293468/83456/J.P.%20Morgan%20Asset%20Management%20investment%20stewardship%20statement.pdf>.

#### *ASI voting policy*

ASI make use of the ISS for proxy voting research and voting recommendations. This is alongside ASI's own analysis from AGMs and other shareholder meetings. When making voting decisions for UK companies, ASI also make use of the IVIS. ASI seek to discuss any vote against a resolution with the company before, explaining the reasons for doing so. More detail on ASI specific votes can be found here: <https://www.aberdeenstandard.com/en/ireland/responsible-investing/proxy-voting>

#### *ASI engagement policy*

ASI's activities include a regular engagement programme to discuss a range of relevant ESG issues, such as board balance and composition, remuneration policies, audit and risk issues and environmental and social issues. When ASI identify issues that they believe are not consistent with the best interests of their clients, they will engage with the board of the investee company to explain their views. The method of engagement depends on the nature of the issue. ASI recognises and welcomes the benefits that can accrue from collective engagement with other investors.