Nationwide Pension Fund Report & Accounts

31 March 2021

Nationwide
Pension Fund

NATIONWIDE PENSION FUND

ANNUAL REPORT

31 MARCH 2021

INDEX

TRUSTEE AND ADVISERS

Trustee	Nationwide Pension Fund Trustee Limited
Trustee Directors	
Society Appointed	Peter Wilkin (Chairman) (retired 31 March 2021)
	Muir Mathieson (ceased 30 November 2020)
	BESTrustees Ltd (represented by Catherine Redmond)
	(Chair – appointed 1 April 2021)
	Laura Faulkner
	Heather Tipple (appointed 1 December 2020)
	Mark Hedges (for GHG Services Ltd) (appointed 1 April 2021)
Member Nominated	Arthur Amos
	Rob Goldspink
	John Wrighthouse
	Sarah Garrett
Head of Pensions	Ian Baines
Chief Investment Officer	Mark Hedges (retired 31 March 2021) Christopher Grant (appointed 1 April 2021)
Administrator and Secretary	Vanessa Roberts
Accountant	Karen Drinkwater
Accounting Support	Crowe U.K. LLP
Actuary	Keith Poulson, Aon Solutions UK Ltd
Auditors (External) **(Internal)**	Grant Thornton UK LLP Deloitte LLP
Legal Adviser	Sacker & Partners LLP
Property Valuer	Knight Frank LLP
Investment Consultant	Aon Solutions UK Ltd
Implementation Manager	Russell Investments Implementation Services Ltd

TRUSTEE AND ADVISERS - continued

Investment Advisors: Nationwide Section

	LaSalle Investment Management
	CBRE Indirect Investment Services Limited

Investment Managers: Nationwide Section

Matching Assets	Aviva Investors Jersey Unit Trusts Management Ltd
	Insight Investment Management (Global) Ltd
	Legal & General Investment Management Ltd
	PfP Capital Limited
Return Seeking Assets	
Equities:	Legal & General Investment Management Ltd
	Russell Investments Implementation Services Ltd
Credit:	Arcmont Asset Management LLP
	Barings LLC
	Blackstone Group
	Christofferson, Robb & Company LLC
	DRC Savills Investment Management LLP
	Goldman Sachs & Co.
	HPS Investment Partners LLC (appointed September 2020)
	JP Morgan Asset Management
	Kennedy Lewis Investment Management LLC (appointed April 2020)
	Kreos Capital Group
	M&G Alternatives Investment Management Ltd
	Oaktree Capital Management (UK) LLP
	York Capital Management LLC
	Zais Group LLC (appointed June 2020)
Infrastructure:	Arcus Infrastructure Partners LLC
	Alinda Capital Partners LLC
	Equis Funds Group Pte Ltd
	IFM Investors Pty Ltd
	Innisfree Ltd
	Macquarie Investment Management (UK) Ltd
	Star Capital Partners Ltd
	SteelRiver Infrastructure Partners LP
	Tiger Infrastructure Partners LP
Private Equity:	Arsenal Capital Management LP
	Blackstone Group
	BV Investment Partners LP

TRUSTEE AND ADVISERS – continued

Private Equity:	Digital Alpha Advisors LLC (appointed September 2020)
	Digitalplus GmbH
	Dunedin Capital Partners LLP
	The Energy and Minerals Group LP
	GreyLion Capital LP
	Hahn & Co
	Investcorp
	Kreos Capital Equity Limited
	L Capital Asia Advisors
	Mount Kellett Capital Partners (Cayman) LP
	NB Alternatives Advisers LLC
	Opengate Capital
	Parcom Capital Management BV
	Permira LP Ltd
	Platinum Equity Advisors LLC
	Thompson Street Capital Manager LLC
	Trilantic Capital Management LLC
Real Estate:	Ares European Real Estate Management, LP
	Genesta Property Nordic AB
	Grasscourt GP Ltd
	Honeycourt GP Ltd
	Henderson Park
	PAG Holdings Ltd
	Revcap Advisors Ltd
	Silverpeak Real Estate Partners
	Walton Street Capital LLC

Investment Manager: C&D Section

Legal & General Investment Management Ltd

Custodian The Northern Trust Company

Pension Scheme Tax Reference 00271477RZ

Enquiries

Employee Pensions
Nationwide Building Society
Nationwide House
Pipers Way
Swindon SN38 2GN
Tel: 01793 655131
Email: pensions.team@nationwide.co.uk

CHAIR'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

I'm pleased to present the Report & Accounts for the Nationwide Pension Fund ('the Fund') for the financial year ended 31 March 2021, and my first as Chair of the Fund.

Overview

Reflecting back to this time last year when my predecessor Pete Wilkin talked about an 'unprecedented few months'; at that time, we didn't appreciate it would be an 'unprecedented year' as the impacts of the pandemic continued, and we were faced with some significant matters in relation to the Fund.

The Trustee effectively implemented the Fund's business continuity plans and has continued to closely monitor the situation. We were pleased that all functions were able to be maintained and by implementing practical solutions, home working has become the new normal, where for our administrators, a visit to the office, until very recently, was limited to one person a week.

It has certainly been a busy and un-paralleled year:

Closure to future accrual

On 31 March 2021 the Fund closed to future accrual. This means that following contractual changes for Nationwide employees, who are members of the Fund, they no longer build up benefits and became deferred members. This will reduce the value of the Fund's liabilities as there are no longer any active members of the Fund. The number of deferred members is now 19,768 making up approximately 68% of the membership, and the number of pensioners is 9,163 (an increase of 385).

Completion of the 2019 triennial valuation

During the year the formal valuation was completed. The results as at 31 March 2019 showed that the Nationwide Section had a shortfall of £180 million and the Cheshire & Derbyshire Section had a surplus of £17 million at 31 March 2019.

The Trustee and the Society entered into a revised funding arrangement that included providing the Fund with a substantial contingent asset. This allows the Trustee to take control of up to £1.7 billion of additional assets for the Fund under certain circumstances; in particular, should the Society become insolvent or unable to pay contributions due to the Fund in the future. The Trustee believes that while these events are highly unlikely, the contingent asset provides substantial additional security for members' benefits.

Given that the contingent asset referred to above has been provided, it has been agreed that no further contributions from the Society will be required in respect of the 2019 valuation, with the remaining deficit to be addressed by future investment returns.

Funding

There's been a steady improvement in the funding level through the year and the market price volatility seen in February and March 2020 has not been repeated. The value of the Fund's assets is now £6,977 million, up 7% from £6,541 million at the previous year end. Return-seeking asset values increased in response to a strong performance in equities and market support from global central banks. Hedge ratios for interest rates and inflation have been maintained at around 100% of Technical Provisions, and liabilities fell due to increasing interest rates. More commentary about the investments is included in the Trustee Report.

Governance & Operations

The Trustee continues to have a clear focus on risk management, making sure that we consider the potential for emerging risks, as well as monitoring the Fund's identified risks through a formal register, both at Board and its Committees.

CHAIR'S STATEMENT – continued

As referenced earlier the Board has its own Contingency Plan, that sits alongside the Society's, for the Employee Pensions team and the Chief Investment Officer team, as well as all advisers. All these plans were effectively implemented in response to Covid-19.

The Trustee, through its Operations Committee, regularly monitors service levels and resource, and despite the additional pressures of Covid and the Scheme closure, the Administration team continued to provide a conscientious and quality service to our members.

The Fund has a robust data protection policy in place and takes the security of members' information very seriously. You can find our privacy statement on the Fund's website at nationwidepensionfund.co.uk.

Registration for the online Member Portal continues to grow more than 50% of our members have now signed up. If you haven't had an opportunity to log onto the Member Portal, the Trustee Directors encourage you to take a look. It's a great way to keep in touch with us and enables our members to keep Expression of Wish and contact details up to date, and to see their benefit information (which is updated every year).

The Trustee is aware The Pensions Regulator is concerned that pension pots are attractive to potential scammers, who can be very articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Information can therefore be found on the Trustee Website at nationwidepensionfund.co.uk where you'll find a short video to support members and we would encourage members to watch it. If you are contacted unexpectedly or have any concerns you can obtain additional information at https://www.moneyhelper.org.uk/money-troubles/scams/how-to-spot-a-pension-scam

While there is no defined contribution (DC) section in the Fund, DC Additional Voluntary Contributions ('AVCs') were offered while the Fund was open to future accrual. The Investment & Funding Committee continues to monitor the performance of those funds to make sure that they remain appropriate.

The Trustee is currently considering its Strategic Plan for the next 5 years. The Strategic Plan will set out the Trustee Mission and Vision Statement, as well as its aims and objectives over the five-year period.

Trustee Board

Following Pete Wilkin's retirement, I was pleased to be appointed Chair of the Trustee Board. I want to formally thank Pete Wilkin on behalf of all the Trustee Directors for his contribution to the Fund.

We sadly saw Muir Mathieson leave the Board and Mark Hedges, Chief Investment Officer, retire. We thank them both for their respective contributions. We're fortunate though, that Mark was appointed as an Employer Nominated Trustee from April 2021, and I'd like to extend a warm welcome to him and to Heather Tipple who joined us in December 2020.

This year we've run another election process to appoint two Member Nominated Trustee Directors. We'll announce the outcome in the coming months on the Fund Website.

The Board continues to meet with its advisers on a regular basis, both at Committee and main Board meetings. Since March 2020 and the Government lockdown, we've tended to hold monthly Board meetings via video conference. As the country eases out of lockdown and with organisations reviewing the 'new way of working', we'll continue to assess how we structure our meetings and work together.

The Board carries out an annual Trustee self-assessment, where we reflect on our collective and individual performance, as well as receive feedback from key advisers, to make sure we're maintaining a high-level of performance in our duties as Trustee Directors. The focus remains on sustaining and developing knowledge and understanding, through strategy and training sessions which have been conducted virtually throughout the year.

CHAIR'S STATEMENT – continued

I'd like to recognise the great service and hard work that both the Employee Pensions team and the Investment team give to the Board and the Fund members, in what has been an exceptionally busy year for them.

Finally, I'd like to acknowledge the efforts of all the Trustee Directors, and I'm grateful for the support received from our professional advisers.

Catherine Redmond (representing BESTrustees Limited)
Chair of the Trustee Board

TRUSTEE REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The Trustee of the Fund presents its Annual Report for the year ended 31 March 2021, together with the actuarial certificates and financial statements. The Fund is a defined benefit scheme providing all benefits based on Career Average Revalued Earnings ('CARE') from 1 April 2011. Prior to this date benefits were based on final salary for members who joined prior to 1 January 2002, and on CARE for members who joined after that date. Between 1 April 2011 and 31 March 2021, the final salary link was maintained, where appropriate, for service before 1 April 2011.

From 1 June 2007, the Fund was closed to new Nationwide employees, who instead are eligible to join the Nationwide Group Personal Pension ('GPP') arrangement, as are those members of the Fund who were employed by Nationwide on 1 April 2021after the Fund closed to future accrual. The GPP arrangement is a defined contribution scheme administered by Aviva and is not part of the Fund.

Following the merger on 30 June 2010 with the Cheshire Building Society Pension and Life Assurance Scheme ('the Cheshire Scheme'), and the Derbyshire Building Society Staff Pension Scheme ('the Derbyshire Scheme'), the Fund became sectionalised with two separate sections – the Nationwide Section and the Cheshire and Derbyshire Section ('C&D Section'). Separate financial disclosures for these two sections are provided in this report under Notes 25 to 28.

The Fund was 'contracted out' of the additional components of the State pension until 6 April 2016, when legislation came into effect which ended contracting out.

On 31 March 2021 the Fund closed to future accrual.

Management of Nationwide Pension Fund

On 1 April 2007 Nationwide Pension Fund Trustee Limited, a corporate body, was appointed as Trustee, and all serving Trustees became Trustee Directors.

The Fund is governed by a definitive Trust Deed and Rules dated 1 April 2012, together with subsequent amendments.

The Board of Nationwide Building Society ('the Society') has the power to appoint four Trustee Directors (and change them from time to time). All four Member Nominated Directors ('MND') positions are filled from the membership as a whole and have a term of office of five years. Any Trustee Director may, in exceptional circumstances, be removed from office by the unanimous decision of the other Trustee Directors, provided that approval is first obtained from the membership in a postal ballot (for Member Nominated Directors).

The current Trustee Directors are shown on page 2. Five of them, none of them employees of the Society, received payment for their services in the Fund year, as described in Note 7 to the financial statements.

Trustee meetings are normally held four times a year, with an additional strategy & development day. Since the Covid-19 lockdown, March 2020, it has been decided to hold meetings monthly by video conference. Decisions are made generally by consensus, but the rules provide for majority voting when a consensus cannot be reached. This happens very rarely. In the year to 31 March 2021 there were twelve Board meetings including a training and strategy & development session, this reflects the very busy year with the Valuation, Fund closure and other projects. Attendance at the meetings falling in each of the Directors' period of office was as follows:

Arthur Amos	12 of 12	Laura Faulkner	11 of 12
Sarah Garrett	11 of 12	Heather Tipple	3 of 3
Rob Goldspink	12 of 12	Muir Mathieson	8 of 9
John Wrighthouse	10 of 12	Peter Wilkin	12 of 12
Catherine Redmond (BESTrustees Ltd)	12 of 12		

TRUSTEE REPORT – continued

A number of Committees and working groups also met throughout the year.

Review of the Financial Development of the Fund

The Fund Actuary performed the most recent Nationwide Section actuarial valuation as at 31 March 2019. The valuation showed a deficit of £180m at that date. A deficit recovery plan for the Nationwide Section was agreed between the Trustee and the Society, and subsequently a contingent asset was put in place that allows the Trustee to take control of up to £1.7 billion of additional assets for the Fund in certain circumstances. Due to this increased financial security, it was agreed that the Trustee would not seek further deficit contributions from the Society in respect of the 2019 valuation and instead rely on future investment returns to address the deficit.

It was also agreed that the employer's contribution rate, to cover the cost of future accrual of benefits, would remain unchanged at 31.5% of pensionable salaries until 31 March 2021, the Funds closure date.

An actuarial statement of the adequacy of the rates of contributions for the purpose of meeting the statutory funding objective at the time of the 31 March 2019 valuation is on page 55. A report on actuarial liabilities is on page 16.

The Fund Actuary performed the most recent C&D Section actuarial valuation as at 31 March 2019. The valuation showed a surplus of £17m at that date.

There was a net withdrawal from dealing with members of £96.6m for the year ended 31 March 2021 (2020: £40.1m). The net effect of returns on investments has been to increase the value of the Fund by £533.0m (2020: £309.5m).

The financial statements have been prepared and audited in compliance with regulations under sections 41(1) and (6) of the Pensions Act 1995. They cover the year to 31 March 2021.

Sponsoring Employer

The Fund is sponsored by the Nationwide Building Society, whose address is Nationwide House, Pipers Way, Swindon, SN38 1NW.

Trust Deed and Rule Changes

In February 2020, the Society confirmed, following consultation, that the Fund would close to future benefit accrual on 31 March 2021. Active members of the Fund at that date moved to the Nationwide Group Personal Pension (GPP) for future pension savings.

A Deed of Record and corresponding Deed of Amendment were executed during the year to reflect the closure of the Fund and the contractual and other benefit changes the Society implemented, full details of which were sent out by the Society to affected employees.

Members who were Deferred or Pensioner members of the Fund on 31 March 2021, were not affected by the changes. There will be no change to the benefits provided to those members by the Fund and pensions will continue to be paid to Pensioner members in the normal way.

The Trustee's main responsibilities are to seek to ensure that the Fund is run properly and that benefits already built up by members are secure and will be paid.

It is principally for the Society to decide, including through negotiation with the Nationwide Group Staff Union, on the structure of the pension benefits made available to its employees.

Now that the revised contractual arrangements are in place, the Trustee is required to administer the Fund in line with those arrangements.

Trust Deed and Rule Changes

A Deed of Amendment was also executed during the year to reflect the provision of the contingent asset to the Fund. The Deed amends a Rule which requires the Society to make additional contributions in certain circumstances so as it cannot be invoked prior to the Trustee enforcing its security under the contingent asset agreement.

Disputes

If members have a complaint about the Fund, the Employee Pensions Team should be able to help resolve it. If members are not satisfied with the response they receive, the Trustee has a formal complaints procedure in place for resolving disputes. This is a two-stage process. For details and relevant forms for the Internal Disputes Resolution Procedure (IDRP), concerned members should contact the Employee Pensions Team.

The Pensions Ombudsman (TPO)

If members have concerns, they have the right to refer their complaint to TPO, who has legal powers to settle complaints and disputes. The service is free, fair and impartial.

10 South Colonnade, Canary Wharf, London E14 4PU

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

TRUSTEE REPORT – continued

Membership

The change in the membership of the Fund during the year is given below:

	Note	Nationwide Section	C&D Section	Total
Active Members				
Active members at the beginning of the year		4,801	13	
Active members reinstated during the year		1	-	
Members leaving prior to pensionable age		(4,723)	(13)	
Deaths in service		(8)	-	
Members retiring		(71)	-	
		-	-	-
Deferred Members				
Deferred members at the beginning of the year		14,917	653	
Deferred members added during the year		4,723	13	
Deferred members transferring out		(83)	(11)	
Deferred members retiring		(409)	(18)	
Deaths in deferment		(12)	(1)	
Merged records	(a)	(2)	-	
Pension commencements backdated	(b)	(2)	-	
		19,132	636	19,768
Pensioners				
Pensioners at the beginning of the year		8,128	650	
Active members retiring		71	-	
Deferred members retiring		409	18	
Spouses and dependants		71	7	
Commutations of trivial pensions		(6)	(1)	
Deaths in retirement		(153)	(11)	
Merged records	(a)	(16)	-	
Pension commencements backdated	(b)	2	-	
Childs pension ceased		(5)	-	
Contingent Widows Liability		(1)	-	
		8,500	663	9,163
TOTAL MEMBERSHIP AT 31 MARCH 2021		27,632	1,299	28,931

(a) Merged records relate to members who previously had two separate periods of membership.
(b) The pension commencements of these members were backdated to the date of their leaving following Permanent Incapacity Early Retirement (PIER) review by the Trustee.

The figures for pensioners do not include approximately 25 members (2020: approx. 25 members) whose pension is paid directly to them by an insurance company in respect of an annuity purchased at the time of their retirement.

Investment Objectives and Strategy

The Trustee aims to invest the assets of the Fund prudently to make sure that the benefits promised to members are provided when they fall due. The Fund's Statement of Funding Principles agreed a long-term objective ("LTO") with the Society. The Trustee's aim is to be funded at LTO, (referred to later as Low Dependency) by 2031. The Trustee believes this is best achieved by having both an investment strategy and a journey (or de-risking) plan.

The Trustee monitors the funding level of the Fund on the Technical Provisions basis, Low Dependency basis and Buy-out basis. There is a strong (but not perfect) link between the funding levels and the Trustee recognises that over time the relationship between these three measurements of liabilities will change. The plan is to steadily de-risk to protect the funding position on the Low Dependency basis. It is intended that the eventual target of the de-risking process will be a Destination Portfolio which largely matches the characteristics of the Fund's liabilities and allows for a margin to cover risk factors such as benefit caps and collars and longevity risk. Throughout the de-risking process, the Trustee will consult with the Society.

The parties expected to be involved in the monitoring and implementation process are as follows:

- the Investment and Funding Committee ('IFC') on behalf of the Trustee
- the Society's Pension Risk team
- the Chief Investment Officer team ('CIO team')
- the Investment Consultant to the Trustee
- the Actuarial Adviser to the Trustee
- the Transition Manager to the Trustee
- the Liability Matching Investment ('LMI') Manager.

The Trustee has appointed Northern Trust to keep custody of the Fund's investments, other than:

- Pooled investment vehicles, where the manager makes its own arrangements for custody of underlying investments;
- Direct property, where title deeds are held by the Fund's legal advisors; and
- Insurance policies where the master policy documents are held by the Trustee.

The Fund's investment strategy and strategic asset allocation are reviewed periodically to ensure that they are appropriate for the circumstances and objectives of the Fund.

The Trustee monitors the actual asset allocation versus the target weight and the ranges on a regular basis.

For the Nationwide Section the permitted ranges allow the Trustee to deviate tactically from the strategic asset allocation within the specified limits to avoid the need for constant rebalancing. The current strategic asset allocation strategy as at 31 March 2021, chosen to meet the objectives of the Nationwide Section, is set out in the table below.

TRUSTEE REPORT – continued

Asset Class	Target Weighting %	Range %	Actual %
Matching Assets	**54**	**45-60**	**55**
Government and Supranational Bonds	40-50	30-50	48
Alternative Matching Assets (AMA)	5-10	5-10	7
Long Lease Property	-	0-5	2
Ground Rent Property	-	0-5	3
Other AMAs	-	0-3	2
Return Seeking Assets	**45**	**40-50**	**45**
Equities	12	10–15	16
Physical	8.5	6.5-10.5	13
Synthetic	4	3-5	3
Credit	10	7.5-12.5	10
Illiquid portfolio – private markets	22.5	17.5-27.5	19
Capital Appreciation	-	2.5-12.5	11
Equity Cashflow	-	*2.5-10*	4
Credit Cashflow	-	*5-14*	4
Opportunities	-	*0-2.5*	-
Cash	**1**	**0-2**	**-**

The C&D Section's strategic asset allocation is: -

Asset Class	Target Weighting %	Actual %
Global equities	5-10	8
Matching Portfolio	90-95	91
Cash	0-2	1

Each section has its own Statement of Investment Principles ('SIP') which details the respective investment strategy. Copies of the SIP are available on our website (www.nationwidepensionfund.co.uk). The SIPs meet the requirements of section 35 of the Pensions Act 1995 and section 244 of the Pensions Act 2004. The latest Nationwide Section SIP and C&D Section SIP were approved by the Trustee Board on 29 April 2021 taking account of changes agreed over the year and the planned future investment strategies.

In setting the Fund's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that to fulfil this commitment, and to protect and enhance the value of the Fund's investments, it must act as a responsible steward of the assets in which the Fund invests.

The Trustee expects the Fund's investment managers to take account of corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. To set out the Trustee's beliefs and overarching approach to managing climate risks within the investment portfolio, a Climate Risk Statement has been formally incorporated into the Trustee's Responsible Investing Policy. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them. Further details can be found in the Implementation Statement (see page 49) which forms part of this Trustee Report.

As an overarching principle, the Trustee adopts a long-term approach to investment and will look through short-term volatility to assess the performance and return profile of an asset manager over the longer term.

For liquid investments, the Trustee's policy is to appoint managers with an open-ended mandate, and ordinarily to review performance every three to five years absent any significant changes to the investment strategy. This will typically be completed by assessing returns relative to the investment benchmark (as set at the outset) and comparing returns to peer group investments.

For illiquid investments, it is the Trustee's policy to commit to the full term of the fund (although secondary trades are not ruled out if these are optimal for the portfolio), and therefore the asset manager is incentivised to make decisions based on the medium and long-term prospects of its underlying investments, rather than achieving short-term returns.

The Trustee is typically aligned with a 'fixed fee' remuneration approach for its asset managers, as it facilitates a higher degree of transparency and planning on behalf of the Fund.

The Trustee acknowledges that a variable, performance fee structure (in addition to a base fixed fee) is the market standard for illiquid, private market funds. The Trustee therefore accepts that investment in the best performing private market funds will incur performance fee arrangements.

Ultimately, analysis on behalf of the Trustee is undertaken on a net-of-fees basis and, where structured appropriately, this aligns the interests of the Fund (and its beneficiaries) with those of the asset manager and the individuals managing the investments for the asset manager.

Performance reviews typically incorporate market testing of fixed fees and the Trustee will always seek to negotiate and reduce fees where possible. The Trustee will preclude investment where it judges the fee structure of the asset manager is excessive or does not align interests with the Fund and its beneficiaries.

The Trustee, with support from the Investment Consultant, actively engages with asset managers to obtain better visibility of costs and charges incurred through the management of the portfolio by its asset managers. The ClearGlass platform requires relevant asset managers to complete standardised templates and will be reported annually to facilitate transparency. These templates include information on annual management charges, performance fees, portfolio turnover costs (defined as the costs incurred as a result of buying, selling, lending or borrowing of investments) and operational costs.

The Trustee seeks to maintain an asset allocation in line with the target portfolio set out in the SIP, which is reviewed annually in conjunction with the Fund's Investment Consultant. Within each asset class, the Fund will seek asset managers which it assesses to be capable of delivering returns in line with their stated mandate (amongst several other factors such as diversification).

For illiquid asset managers, the duration of the investment, or arrangement, is a significant period of time, with several years not untypical. Liquid asset managers provide a degree of flexibility to react to a range of factors, and arrangements may be shorter in length albeit passive holdings are often long term. For passive mandates, periodic market benchmarking is undertaken to ensure the arrangement provides ongoing value and remains competitively priced.

As part of its delegated responsibilities, the Trustee expects the Fund's investment managers to take account of corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training to understand how ESG factors, including climate change, could impact the Fund's assets and liabilities.
- As part of ongoing monitoring of the Fund's investment managers, the Trustee will use ESG ratings information provided by its Investment Advisor, where relevant and available, to monitor the level of the Fund's investment managers' integration of ESG on a quarterly basis.
- The Trustee will request all of the Fund's investment managers to provide their responsible investment policy and details of how they integrate ESG into their investment decision making process on an annual basis. Should the Fund look to appoint a new manager, the Trustee will request this information as part of the selection process and assess the credentials of the manager. All responses will be reviewed and monitored with input from the Investment Consultant.

The Trustee has recently established a new Climate Mission Statement which sets out its beliefs with respect to climate-related impacts on the Fund whilst providing an overarching approach to manage climate-related risks as part of the investment framework.

As an investor in ground rents and long leases covering both residential and commercial property, the Trustee, in conjunction with the Fund’s advisers and managing agents, has set out clear and transparent investment and management guidelines in its Ethical Landlord Policy. This includes stated responsibilities to leaseholders.

The Trustee has a firm expectation that the Fund’s investment managers and other appropriate intermediaries use their influence as major institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee expects that its investment managers will provide details of their stewardship policy and activities on an annual basis and will monitor this with input from the Investment Consultant.

The Trustee will engage with its investment managers where necessary for more information, and where appropriate, influence investment managers to improve existing practices.

The Trustee recognises that Fund members and beneficiaries have views on ethical considerations, social and environmental impact, and the present and future quality of life of the members and beneficiaries of the Fund (defined as 'non-financial matters' in the Occupational Pension Schemes Regulations 2005, as amended in 2018). The Trustee will review its policy on how to best reflect these views in the investment strategy on an annual basis.

Review of Investment Performance

The Fund’s combined investment assets as at 31 March 2021 were £6,966.9m (2020: £6,534.3m).

The annualised total returns for the Fund were as follows: -

Asset Class	One Year		Three Year[1]	
	Actual %	Benchmark %	Actual %	Benchmark %
Nationwide Pension Fund Performance				
Total Return	**6.8**	**6.0**	**6.9**	**6.5**

NATIONWIDE PENSION FUND

The Fund is split into two sections and their performance is as follows: -

Asset Class	One Year		Three Year[1]	
	Actual %	**Benchmark %**	**Actual %**	**Benchmark %**
Nationwide Section Performance Analysis				
Core Matching Assets[2]	(2.7)	(2.7)	5.0	5.7
Alternative Matching Assets	0.5	4.1	2.7	4.7
Equities	55.5	45.8	13.2	11.2
Credit	14.7	3.8	3.0	4.4
Private Markets[3]	1.9	6.5	10.7	7.2
Total Return	**6.8**	**6.0**	**6.9**	**6.5**

1 Five-year analysis is not provided as the portfolio and its benchmark were so significantly different that the returns are not comparable.

2 Core Matching Assets comprises bonds, including government bonds, corporate bonds and index linked securities.

3 Private Markets comprises real estate, private equity, infrastructure and private and real estate debt.

The Nationwide Section delivered a one-year net performance that was 0.8% higher than the benchmark. This performance was primarily due to the performance of equities and the credit market portfolio, reflecting the benefits of a diversified investment strategy. Core Matching Assets tracked the benchmark, and Alternative Matching Assets and the private markets both underperformed the benchmark over the year.

C&D Section Performance Analysis				
Core Matching Assets[4]	(5.5)		3.8	
Equities	50.2		13.4	
Total Return	**(2.3)**	**(2.3)**	**4.5**	**4.5**

4 Core Matching Assets during the year comprised bonds, including government bonds and corporate bonds.

The C&D Section matched its benchmark for the year. Given the passive nature of the investment strategy, no detailed benchmarking analysis is required.

The benchmarks for both sections of the Fund are composite benchmarks, which take into account their strategic asset allocations.

Report on Actuarial Liabilities

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

The latest full valuations of the Fund were carried out as at 31 March 2019 and showed the funding position to be as follows:

	Nationwide Section	**C&D Section**
Value of the Technical Provisions	£6,105m	£319m
Value of the assets at that date	£5,925m	£336m
Shortfall/Surplus	(£180m)	£17m
Funding level	97%	105%

Update on the Funding Position

The information noted above relates to the last formal valuation of the liabilities which was undertaken as at 31 March 2019. The latest formal update, as at 31 March 2021, shows the technical provisions funding position for both Sections has improved to a surplus of £175m for the Nationwide Section and £22m for the C&D Section.

Following the agreement of an appropriate contingent asset (see page 9) no further deficit recovery plan lump sums are currently scheduled to be made.

The results above include the actuary's estimate of an appropriate allowance to cover the cost of equalising Guaranteed Minimum Pensions to meet a statutory obligation of £6m for the Nationwide Section and £3m for the C&D Section.

Actuarial Method

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

The significant actuarial assumptions adopted for the Nationwide section as at 31 March 2019 are set out below:

- Discount rates:
  Pre-retirement: fixed interest gilt yield curve plus 1.25% p.a.
  Post-retirement: fixed interest gilt yield curve plus 1% p.a.

- Rate of pay increases:
  In line with the Retail Price Index ('RPI') inflation.

- Rate of RPI price inflation:
  Bank of England breakeven RPI curve.

- Rate of Consumer Price Index ('CPI') price inflation:
  RPI inflation less 0.9% p.a.

- Post-retirement mortality:
  The SAPS S3 Series 'all' table for males and 'mid' tables for females with scaling factors of:
  - for pensioners 93% for men (and their dependants) and 95% for women (and their dependants).
  - for non-pensioners 98% for men (and their dependants) and 102% for women (and their dependants).

  An allowance for future improvements in line with the CMI 2018 Core Projections, assuming an A parameter of 0.35% p.a. and a long-term annual rate of improvement in mortality rates of 1.5% p.a. for men and women.

The C&D section adopted the same assumptions as above, with the exception of the discount rates and mortality assumptions. The C&D Section adopted lower discount rates to reflect its lower risk investment strategy. The discount rates for the C&D section were set as fixed interest gilt yield curve plus 0.35% p.a.

The post retirement mortality assumption for the C&D Section was:

The SAPS S3 Series 'all' table for males and 'mid' table for females with scaling factors of:
- for pensioners 90% for men (and their dependants) and 96% for women (and their dependants).
- for non-pensioners 95% for men (and their dependants) and 101% for women (and their dependants).

An allowance for future improvements in line with the CMI 2018 Core Projections, assuming an A parameter of 0.5% p.a. and a long-term annual rate of improvement in mortality rates of 1.5% p.a. for men and women.

TRUSTEE REPORT – continued

Compliance Information

Calculation of Transfer Values
Transfer values paid during the Fund year have been calculated and verified in the manner prescribed by regulations made under Section 97 of the Pension Schemes Act 1993. No transfer values included any discretionary benefits.

Pension Increases on Pensions in Payment
Pensions are reviewed annually on 1 April and, except where indicated below, were increased by 1.1% on 1 April 2021 (1 April 2020: 2.4%) in line with the RPI for the year ended 30 September 2020. There were no discretionary increases applied during the year.

For members who were in a scheme which has since merged with the Fund, that part of their pension which accrued up to a given date may, depending on their membership details, have increased at one of the following fixed rates per annum:

Lambeth scheme: 8.5% or 5%.
Portman scheme: 5%.
Nationwide Estate Agents, Anglia, London Goldhawk and At.Home schemes: 3%.
Derbyshire scheme: 3% (increase is RPI min. 3% max 5%, and provided each 1st July)

Corporate Governance
The Fund's policy statement in respect of voting and corporate governance is included in section 3 of the Fund's Responsible Investment Policy, which was updated along with the SIPs for the two sections on 29 April 2021. This highlights the Trustee's expectations, that investment managers use their influence to carry out the Trustee's rights and duties as a shareholder including voting and, where appropriate, engagement with underlying companies to promote good corporate governance, accountability and positive change.

The Investment & Funding Committee reviews the Responsible Investment Policy, adherence to the stewardship principles and investment managers' voting activities annually. Confirmation has been published on the Fund's website.

Statement of Trustee's Responsibilities for the year ended 31 March 2021

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

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

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

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

TRUSTEE REPORT – continued

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

The Trustee also has a general responsibility for making sure that adequate accounting records are kept and will take necessary steps to help safeguard the assets of the Fund, as well as prevent and detect fraud and other irregularities, which includes the maintenance of an appropriate system of internal control.

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

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

Further Information

Enquiries about the Fund or an individual's entitlement should be sent to Vanessa Roberts, Fund Administrator, Employee Pensions, Nationwide Building Society, Nationwide House, Pipers Way, Swindon, Wiltshire, SN38 2GN.

The Trustee Report which includes the Annual Implementation Statement (on page 49) was approved by the Trustee on and signed on its behalf by:

Trustee Director

Trustee Director

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NATIONWIDE PENSION FUND

Opinion

We have audited the financial statements of the Nationwide Pension Fund (the 'Fund') for the year ended 31 March 2021, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 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; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Fund including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

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

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.

The responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of trustee for the financial statements' section of this report.

INDEPENDENT AUDITOR'S REPORT – continued

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Trustee for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

INDEPENDENT AUDITOR'S REPORT – continued

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

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

- We assessed the susceptibility of the Fund's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate results and net assets for the year.

Our audit procedures involved:

- journal entry testing, with a focus on large manual journals to unusual account codes, including:
  - manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets,
  - journals posted to suspense accounts, and,
  - journals with blank description
- obtaining independent confirmations of material investment valuations and cash balances at the year end.
- including property valuation specialists within the audit team to challenge the valuation of property investments

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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Use of our report

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

FINANCIAL STATEMENTS

Fund Account for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Contributions and benefits			
Employer contributions receivable	4	64.1	125.7
Member contributions receivable	4	10.6	1.8
Total contributions		**74.7**	**127.5**
Benefits payable	5	(118.9)	(110.2)
Payments to and on account of leavers	6	(45.9)	(51.8)
Administrative expenses	7	(6.5)	(5.6)
		(171.3)	**(167.6)**
Net withdrawals from dealings with members		**(96.6)**	**(40.1)**
Returns on investments			
Investment income	8	86.6	67.7
Change in market value of investments	11	481.7	271.8
Investment management expenses	9	(35.3)	(30.0)
Net returns on investments		**533.0**	**309.5**
Net increase in the Fund during the year		**436.4**	**269.4**
Net assets of the Fund			
At the beginning of the year		**6,540.9**	**6,271.5**
At the end of the year		**6,977.3**	**6,540.9**

The Notes on pages 25 to 46 form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Net Assets (Available for Benefits) as at 31 March 2021

	Note	2021 £m	2020 £m
Investments	10,11,20		
Assets			
Fixed interest securities		1,594.3	2,005.4
Index linked securities		2,859.5	2,556.7
Pooled investment vehicles	13	3,624.8	2,878.6
Derivatives	14	52.1	81.5
Property	15	227.5	231.7
Annuity investments	16	0.6	0.7
Cash deposits	17	50.0	111.8
Other investment balances	17	31.9	4.5
AVC & Bonus Saver investments	18	12.2	10.1
Amounts receivable under reverse repurchase agreements	17,19	262.2	65.0
		8,715.1	**7,946.0**
Liabilities			
Derivatives	14	(71.0)	(81.6)
Amounts due under repurchase agreem	17,19	(1,673.0)	(1,328.4)
Other investment balances	17	(1.2)	(1.7)
		(1,745.2)	**(1,411.7)**
Total net investments		**6,969.9**	**6,534.3**
Current assets and liabilities			
Current assets	21	15.0	8.4
Current liabilities	21	(7.6)	(1.8)
		7.4	**6.6**
Net Assets of the Fund at 31 March		**6,977.3**	**6,540.9**

The Notes on pages 25 to 46 form part of these financial statements.

The financial statements summarise the transactions and net assets of the Fund. Liabilities to pay pensions and other benefits that are expected to become payable after the end of the Fund year are not dealt with in the financial statements. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on pages 16 and 17 of this Annual Report, and these financial statements should be read in conjunction with this report.

The financial statements on pages 23 to 46 were approved by the Trustee on and signed on its behalf by:

Trustee Director

Trustee Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. Basis of preparation

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

Some pooled investment vehicles are held through limited partnerships in which the Fund is the only partner. In accordance with the SORP no consolidated accounts have been prepared as the statutory framework for pension schemes financial reporting does not require consolidation and the pooled investment vehicles are included within the Statement of Net Assets on the basis referred to in accounting policy 3(e)(ii) below. A summary of the limited partnerships' net assets is disclosed in the pooled investment vehicle note in the financial statements.

The functional and presentation currency of these accounts is pounds sterling.

2. Identification of financial statements

The Fund is established as a trust under English law. The address for enquires to the Fund is included in the Trustee Report.

3. Accounting policies

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

(a) Contributions

Normal contributions and Bonus Saver contributions are accounted for on an accruals basis in accordance with the month of payroll deduction. Deficit funding costs, redundancy waivers and augmentations are accounted for according to the due dates prescribed by the Schedule of Contributions or on the date of receipt if earlier.

(b) Transfers to other schemes

Transfer values are included in the financial statements in accordance with the agreement, which is normally when paid. They do not take account of members who have notified the Fund of their intention to transfer.

(c) Income from investments

All income from investments is accounted for on an accruals basis. Income from fixed interest and index linked securities includes income bought and sold on purchased and sales of such investments. Rental income is accounted for in accordance with the terms of the lease. Income from pooled investment vehicles is accounted for when declared by the fund manager. In the case of accumulation pooled investment vehicles, income and expenses are retained within the unit price. Receipts from annuity policies are accounted for as investment income on an accruals basis.

(d) Expenditure

Pensions in payment, including pensions paid from annuities, are accounted for in the period to which they relate.

Benefits payable are accrued from the later of the date of leaving, retirement or death, and the date on which any option is exercised. Tax settled by the Fund on behalf of a member is recognised in the accounts separately within benefits.

Investment management and administration expenses are accounted for when they fall due.

Acquisition costs of investments are included in the purchase cost of investments and disposal costs are deducted from the proceeds of sales of investments.

(e) Valuation of investments

i. Fixed interest securities and index-linked securities are stated at their clean price, where applicable including the indexation element which is payable on maturity. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.
ii. Pooled investment vehicles are valued at the bid price provided by the managers or at a single price if only one price is provided. Infrastructure and private equity funds are valued by the fund managers or their third-party agents, where the underlying investments held within those funds are valued at their fair value. Where year-end valuations have not become available, as may be the case with some level 3 funds, fair value is estimated using the latest available valuation, amended for cash movements to the year end. Property limited partnerships are valued at the Fund's share of net assets, with the underlying property valued in accordance with accounting policy 3(e)(vi).
iii. Futures contracts are valued at the exchange price for closing out the contract at the year-end date and this represents the unrealised profit or loss of the contract.
iv. Swap contracts are stated at fair value, which is calculated using pricing models where inputs are based on market data at the year-end date. Interest is accrued monthly on a basis consistent with the terms of the contract. Net receipts or payments on swap contracts are reported within investment income.
v. Forward foreign exchange contracts are stated at fair value, which is determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.
vi. Option contracts are stated at fair value, which is determined as the gain or loss that would arise if the outstanding contract were matched at the year end.
vii. Direct property investments are valued on an open market basis as at 31 March each year by Knight Frank, an independent firm of Chartered Surveyors.
viii. Annuity investments are the value of the insured annuities, calculated by Aon Solutions, the Fund's actuarial advisers, using the same actuarial assumptions adopted for ongoing purposes in the triennial valuation of the Fund.
ix. Unit-linked AVC assets are valued at the bid price or single price at the end of the accounting period. The with-profits funds held by Utmost Life and Pensions, Zurich and Standard Life include an element of final bonus which is not guaranteed.

Bonds, mortgage-backed securities, property, infrastructure, private equity funds and hedge funds are included at fair values. However, because of the inherent uncertainty associated with the valuation of some of these investments due to the absence of a liquid market, these fair values may differ from their realisable value.

(f) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange prevailing at the year end and exchange differences arising are included in realised and unrealised investment gains. Income from foreign securities is expressed in sterling at the exchange rate prevailing when received.

(g) Repurchase agreements

i. Repurchase Agreements – the Fund continues to recognise and value the securities that are delivered under the terms of the contract and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

ii. Reverse repurchase agreements – the Fund does not recognise the securities received under the terms of the contract in its financial statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the financial statements.

4. Contributions receivable

	Note	2021 £m	2020 £m
Employer contributions:			
Normal		49.6	52.2
Smart	(a)	10.7	11.3
Deficit	(b)	-	61.0
Redundancy waivers/augmentations	(c)	3.6	0.7
Bonus Saver (additional benefits)	(d)	0.1	0.3
Bonus Saver (money purchase)	(d)	0.1	0.2
		64.1	125.7
Member contributions:			
Normal		0.2	0.2
AVCs (additional benefits)	(d)	9.1	1.3
AVCs (money purchase)	(d)	1.3	0.3
		10.6	1.8
		74.7	127.5

(a) 'Smart' relates to a salary sacrifice scheme that enables members to sacrifice part of their salary in return for the Society making a pension contribution for them.

(b) Deficit contributions are made by the Society to help reduce the funding deficit. None are currently due because the Fund is currently in surplus and, as described in the Trustee Report on page 9, a Contingent Asset was put in place that allows the Trustee to take control of up to £1.7 billion of additional assets for the Fund in certain circumstances.

(c) Redundancy waivers are payments made by the Society to improve the pensions of employees in lieu of a severance payment. Augmentation payments are additional contributions made by the Society to enhance the pensions of certain employees under the terms of their redundancy agreements with the Society.

(d) Bonus Savers are payments made by the Society to improve the pensions of employees who have waived all or part of their annual entitlement. Money purchase Bonus Savers and AVCs are invested with the companies listed in Note 18. Alternatively, Bonus Savers or AVCs can be used to secure additional benefits in the form of pension credits.

5. Benefits payable

	2021 £m	2020 £m
On or during retirement		
Pensions	93.4	88.4
Commutations	23.7	20.3
Taxation where lifetime or annual allowance exceeded	1.1	0.7
	118.2	109.4
Death benefits		
Death in service, deferment & retirement benefits	0.7	0.8
	118.9	110.2

The pensions balance represents reimbursements to the Society for pensions paid.

6. Payments to and on account of leavers

	2021	2020
	£m	£m
Individual transfers to other schemes	45.9	51.8

7. Administrative expenses

	2021	2020
	£m	£m
Administration & processing costs	2.5	2.4
Actuarial fees	0.5	0.7
Audit fees	0.2	0.2
Pension levies	2.2	1.8
Legal and other professional fees	1.1	0.5
	6.5	5.6

Administration and management services for the Fund are provided by the Society. Fees payable by the Fund to the Society for services rendered are included in the total for administration and processing costs and totalled £0.02m (2020: £0.05m). Audit fees include both external (Grant Thornton UK LLP) £0.1m (2020: £0.1m) and internal (Deloitte LLP) £0.1m (2020: £0.1m) audit services.

Trustee Directors who are not employees of the Society are able to receive remuneration for their services. Trustee fees of £0.3m (2020: £0.2m) relating to the Fund year are included in the total for administration and processing costs.

8. Investment income

	2021	2020
	£m	£m
Interest on fixed interest securities	37.0	32.1
Interest on index-linked securities	7.3	8.5
Income from pooled investment vehicles	32.0	23.3
Interest on swaps	5.6	1.3
Net rental income	11.3	10.5
Income from annuities	0.1	0.1
Net interest on cash deposits	0.7	1.3
Net interest on repurchase agreements	(7.4)	(9.4)
	86.6	67.7

Net Interest on repurchase agreements (including reverse repurchase agreements) relates the interest paid on repurchase agreements, net of the interest received on the government bonds used as security against those agreements.

Income from annuities is received from insurance companies in respect of policies purchased for certain pensioners. The income is used to provide part of the pensions for these individuals.

9. Investment management expenses

	2021 £m	2020 £m
Administration, management and custody	33.5	28.5
Investment consultancy fees	0.9	0.7
Investment services provided by the Society	0.9	0.8
	35.3	30.0

Investment management expenses include fees of £27.9m (2020: £23.6m) that have been deducted directly from investment holdings, as described in Note 11.

10. Fair value determination

The investments have been analysed according to the following valuation hierarchy:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. Cash and government bonds fall in this level.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. This applies to pooled funds, which are open ended, priced frequently and have no significant redemption restriction under normal business conditions, and bonds which are valued on an average of broker quotes.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. This applies to closed ended pooled arrangements, for example the private market investments.

The Fund's investments have been analysed using the above hierarchy levels as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2021				
Fixed interest securities	1,594.1	0.2	-	1,594.3
Index linked securities	2,859.5	-	-	2,859.5
Pooled investment vehicles	-	2,243.0	1,381.8	3,624.8
Derivatives	3.1	(22.0)	-	(18.9)
Property	-	-	227.5	227.5
Annuity investments	-	-	0.6	0.6
AVC/Bonus Saver investments	-	-	12.2	12.2
Cash deposits	50.0	-	-	50.0
Repurchase and reverse repurchase agreements	-	(1,410.8)	-	(1,410.8)
Other investment balances	22.7	7.8	0.2	30.7
	4,529.4	818.2	1,622.3	6,969.9

NOTES TO THE FINANCIAL STATEMENTS – continued

At 31 March 2020				
Fixed interest securities	2,005.2	0.2	-	2,005.4
Index linked securities	2,556.7	-	-	2,556.7
Pooled investment vehicles	-	1,688.3	1,190.3	2,878.6
Derivatives	2.4	(2.5)	-	(0.1)
Property	-	-	231.7	231.7
Annuity investments	-	-	0.7	0.7
AVC/Bonus Saver investments	-	-	10.1	10.1
Cash deposits	111.8	-	-	111.8
Repurchase and reverse repurchase agreements	-	(1,263.4)	-	(1,263.4)
Other investment balances	-	3.7	(0.9)	2.8
	4,676.1	426.3	1,431.9	6,534.3

11. Investment movements

Movements in total net investments during the year were:

	Value at 31 March 2020 £m	Cost of purchases and derivative payments £m	Sales proceeds and derivative receipts £m	Change in Market Value £m	Value at 31 March 2021 £m
Fixed interest securities	2,005.4	596.8	(796.8)	(211.1)	1,594.3
Index linked securities	2,556.7	553.5	(321.4)	70.7	2,859.5
Pooled investment vehicles	2,878.6	2,019.5	(1,812.2)	538.9	3,624.8
Derivatives	(0.1)	45.4	(154.8)	90.6	(18.9)
Property	231.7	1.9	-	(6.1)	227.5
Annuity investments	0.7	-	-	(0.1)	0.6
AVC/Bonus Saver investments	10.1	1.8	(1.3)	1.6	12.2
	7,683.1	3,218.9	(3,086.5)	484.5	8,300.0
Cash deposits and other investment balances	(1,148.8)			(2.8)	(1,330.1)
	6,534.3			481.7	6,969.9

Transitions

Most of the purchases and sales reflect a focus on improving the return seeking risk throughout the year. This has been achieved by the net increase of £32m in fixed interest and index linked securities and the increase in the repurchase agreement liability of £147m (included in 'cash deposits and other investment balances).

Within pooled investment vehicles, a net total of £129m has been invested within the private equity, private credit and property funds, which has been funded by distributions received and the matching assets mentioned above.

NOTES TO THE FINANCIAL STATEMENTS - continued

Change in market value

The change in the market value of investments comprises all increases and decreases in the market value of investments held at any time during the year. Investment managers have deducted management fees of £27.9m during the year (2020: £23.6m) from holdings of pooled investment vehicles. Those fees have been charged as investment management expenses (Note 9) and the change in market value has been increased accordingly to remove the loss in value associated with the fees, with a compensating increase in investment sale proceeds.

Capital commitments

As at 31 March 2021 the Fund was committed to providing further investment funding totalling approximately £923m (2020: £874m) if called upon to do so.

12. Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. They include costs charged directly to the Fund such as fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	Commission	Levies, stamp duty and taxes	Total
	£m	£m	£m
2021			
Property	1.6	-	1.6
2020			
Property	3.8	-	3.8

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges are made within those vehicles. The amount of indirect costs is not separately provided to the Fund.

13. Pooled investment vehicles

As at 31 March 2021 the Fund's investment in pooled investment vehicles comprised:

	2021	2020
	£m	£m
Bond funds	937.6	909.9
Equity funds	1,036.7	656.7
Property funds	458.6	439.4
Private market funds	1,043.4	865.1
Cash funds	148.5	7.5
	3,624.8	2,878.6

Of the above investments, £3,286.7m (2020: £2,520.0m) was held in the Nationwide Section and £338.1m (2020: £358.6m) in the C&D Section.

NOTES TO THE FINANCIAL STATEMENTS - continued

Qualifying Investment Fund

The Fund is the sole investor in a Legal & General Synthetic Equity Fund that is included in the equity funds in the table above. This is a Qualifying Investment Fund ('QIF') which is a particular type of investment fund regulated by the Central Bank of Ireland.

The underlying assets of the QIF are:

	2021 £m	2020 £m
Fixed interest securities	101.8	65.7
Total return swap assets	31.6	(20.1)
Foreign exchange contracts assets	381.5	313.9
Foreign exchange contracts liabilities	(377.6)	(321.6)
Cash and cash equivalents	32.8	20.7
	170.1	58.6

Total return swaps held in the QIF at the year-end were as follows:

	Nominal amount £m	Market value asset £m	Market value liability £m
At 31 March 2021	193.2	31.6	-
At 31 March 2020	180.9	-	(20.1)

All of these contracts will expire in the next year. Collateral in the form of cash in place at the year end in respect of the swaps was as follows:

	2021 £m	2020 £m
Collateral held (pledged from third parties)	35.2	-
Collateral pledged to third parties	-	(37.7)

The forward foreign exchange contracts held in the QIF at the year-end were as follows:

Currency	Net sale/(purchase) value at inception £m	Market value asset £m	Market value liability £m
Euro	(15.3)	14.3	(29.7)
GBP	134.0	257.9	(123.9)
Yen	(11.8)	10.9	(22.7)
USD	(103.0)	98.4	(201.3)
At 31 March 2021	3.9	381.5	(377.6)
At 31 March 2020	(7.7)	313.9	(321.6)

Limited partnerships

The Fund holds two limited partnerships which hold a proportion of the Fund's property investments. The limited partnerships are not consolidated into the Fund financial statements as the statutory framework for pension scheme financial reporting does not require consolidation. The limited partnerships are accounted for at fair value and the Fund's 100% share of partnerships is included in the property pooled investment vehicles in the table above.

A summary of the aggregate net assets of the limited partnerships has been provided below:

	2021 £m	2020 £m
Investment property	159.5	124.0
Debtors: amounts falling due within one year	1.4	16.7
Cash at bank	3.2	2.7
Creditors: amounts falling due within one year	(1.5)	(1.2)
Net assets of limited partnerships	162.6	142.2

14. Derivatives

The Trustee has authorised the use of derivatives by its investment managers in line with the terms of their specific investment mandate and as part of the investment strategy of the Fund. Such use of derivatives can cover a range of instruments and purposes and includes, but is not limited to, the four following examples of derivative use and purpose:-

Futures: the Trustee did not want cash held to be 'out of the market' and therefore bought exchange traded index-based futures contracts which had an underlying economic value broadly equivalent to cash held.

Swaps: the Trustee's aim is to match as far as possible the Liability Driven Investment portfolio and the Fund's long-term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered Over The Counter ('OTC') interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Fund.

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

	2021		2020	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Futures	3.0	-	1.7	-
Swaps	48.1	(47.2)	79.1	(80.3)
Forward foreign exchange	1.0	(1.5)	0.7	(1.3)
Options	-	(22.3)	-	-
	52.1	(71.0)	81.5	(81.6)

Futures

Underlying Investment	Expiration	Economic exposure (long) £m	Economic exposure (short) £m	Market value asset £m	Market value liability £m
UK equities	Less than 1 year	11.5	-	(0.1)	-
Overseas equities	Less than 1 year	258.7	-	3.1	-
	At 31 March 2021	270.2	-	3.0	-
	At 31 March 2020	60.2	-	1.7	-

Futures are exchange traded derivatives and are used to obtain better exposure to underlying investments, enhance investment returns and manage risk. The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value is subject to market movements.

Swaps

Nature	Expiration	Notional principal £m	Market value asset £m	Market value liability £m
Interest rate swaps	Less than 1 year	165.2	0.2	-
	Between 1 and 5 years	285.1	4.4	(0.1)
	Between 5 and 10 years	594.0	10.9	(5.2)
	Between 10 and 20 years	309.2	5.9	(4.6)
	Between 20 and 30 years	15.7	-	(1.4)
		1,369.2	21.4	(11.3)

NOTES TO THE FINANCIAL STATEMENTS – continued

Nature	Expiration	Notional principal £m	Market value asset £m	Market value liability £m
Inflation rate swaps	Less than 1 year	35.0	-	(1.3)
	Between 1 and 5 years	256.1	0.5	(12.7)
	Between 5 and 10 years	335.9	3.7	(15.2)
	Between 10 and 20 years	609.2	22.0	(5.9)
	Between 40 and 50 years	4.3	0.5	-
		1,240.5	26.7	(35.1)
Total return swaps	Less than 40 years	37.2	-	(0.8)
	At 31 March 2021	2,646.9	48.1	(47.2)
	At 31 March 2020	3,375.7	79.1	(80.3)

Inflation swaps, interest rate swaps and total return swaps are used to manage risk and match the Fund's long-term liabilities, especially in relation to their sensitivities to movements in inflation. The notional principal of the swap is the amount used to determine the value of the swapped receipts and payments.

Collateral, in the form of government bonds, in place at the year end in respect of swaps was as follows:

	2021 £m	2020 £m
Collateral pleaded to third parties	10.4	17.8

Forward Foreign Exchange Contracts

	Currency	Gross sale/(purchase) value at inception £m	Market value asset £m	Market value liability £m
Currency sold	US Dollar	117.7	1.0	(1.5)
	Euro	6.3	-	-
	Other	10.3	-	-
	At 31 March 2021	134.3	1.0	(1.5)
	At 31 March 2020	181.8	0.7	(1.3)

All forward foreign exchange contracts held at the year-end were OTC contracts to be settled within three months of the year end. Further details have been provided in Note 20.

NOTES TO THE FINANCIAL STATEMENTS - continued

Options

The Fund had the following open OTC option contracts at 31 March 2021:

Nature	Economic exposure £m	Expires	Asset value £m	Liability value £m
Currency call	366.3	5 months	-	(22.3)
Total 2021	366.3		-	(22.3)
Total 2020	-		-	-

15. Property

	2021 £m	2020 £m
Freehold property	227.5	231.7

The Fund holds a number of interests in UK properties. The properties are illiquid as they would take between three and twelve months to find a suitable buyer.

All commercial leaseholders are responsible for repairs and maintenance and dilapidations. For residential flat leaseholders there is a service charge to cover repairs and maintenance to the building. The Fund manages its properties in line with its Ethical Landlord policy.

The Trustee appointed Knight Frank as an independent expert to independently value investment property assets included above a fair value as at 31 March 2021. The Trustee has used the independent expert's report to determine the fair value of investment property as at the year end.

16. Annuity investments

Annuity investments represent an actuarial valuation of investments providing the annuity income received by the Fund to cover pensions paid to certain members.

17. Cash deposits and other

	2021 £m	2020 £m
Cash deposits	50.0	111.8
Accrued income	31.9	4.5
Amounts receivable under reverse repurchase agreement	262.2	65.0
	344.1	181.3
Accrued expenses	(1.2)	(1.7)
Amounts due under repurchase agreements	(1,673.0)	(1,328.4)
	(1,674.2)	(1,330.1)
Net cash deposits and other	(1,330.1)	(1,148.8)

NOTES TO THE FINANCIAL STATEMENTS – continued

18. AVC and Bonus Saver investments

Aggregate amounts of AVC and Bonus Saver investments were:

		2021 £m	2020 £m
AVCs	Aviva	0.1	0.1
	Utmost Life and Pensions	-	0.3
	Fidelity Pensions Management	8.6	6.4
	Legal and General	0.1	0.1
	Prudential Assurance Company	1.4	1.5
	Standard Life Assurance Company	0.1	0.1
		10.3	8.5
Bonus Savers	Fidelity Pensions Management	1.8	1.5
	Prudential Assurance Company	0.1	0.1
		1.9	1.6
		12.2	10.1

Contributions held in Utmost have been transferred to Fidelity in the year. Small balances (less than £0.1m) are also held with Zurich Assurance Ltd (in respect of AVCs and Bonus Savers).

The Trustee holds AVC and Bonus Saver assets invested separately from the main fund in the form of individual building society accounts, insurance policies and other unitised investments securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions, and these assets do not form part of the common pool of assets available for members generally. Members participating in these arrangements each receive annual statements confirming the amounts held to their account and the movements in the year.

19. Repurchase and reverse repurchase agreements

The Fund has entered into repurchase agreements using its UK government bonds as the underlying security. The Fund retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Fund at their market value. At 31 March 2021 the market value of securities sold under repurchase agreements was £1,588.1m (2020: £1,363.4m). At 31 March 2021 the market value of securities bought under reverse repurchase agreements was £257.6m (2020: £66.4m).

Cash received from counterparties in respect of the securities that have been sold has been used by the Fund to increase its matching assets portfolio, although the repurchase arrangements are fungible and are not linked to specific assets. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Fund’s financial statements under investment liabilities. At 31 March 2021 this amounted to £1,674.4m (2020: £1,333.2m) including £1.4m (2020: £4.8m) accrued interest. Amounts receivable from counterparties under reverse repurchase agreements are disclosed as assets in the Fund’s financial statements under investment assets. At 31 March 2021 this amounted to £262.2m (2020: £65.1m) including nil (2020: £0.1m) of accrued interest.

At 31 March 2021 there was collateral held in the form of index-linked bonds of £169.1m (2020: £31.4m) against the difference in valuation between the underlying securities and the repurchase agreements. The value of the underlying repurchase agreement bonds was £1,330.5m (2020: £1,352.6m). At 31 March 2021 there was collateral held of nil (2020: nil) against the difference in valuation between the underlying securities and the reverse repurchase agreements.

20. Investment risks

Credit risk 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 includes currency risk, interest rate risk and other price risk, as explained below:

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

The Trustee determines its investment strategy after taking advice from the investment consultant. The Fund has exposure to these risks because of the investments it makes in following the investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's investment objectives, and by taking collateral. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers, reviewed by the CIO team and monitored by the IFC via regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include annuity policies or AVC or Bonus Saver investments as these are not considered significant in relation to the overall investments of the Fund.

The investment objective of both sections of the Fund is set out under Investment Objectives and Strategy on 11.

The Nationwide Section

For the Nationwide Section investment strategy, 45%-60% of net investments are to be made in matching assets that will broadly move in line with the long-term liabilities of the Section. These comprise UK government and corporate bonds, inflation and interest rate swaps, long lease property and ground rents.

The purpose of holding these assets is to maintain a 100% hedge against the impact of interest rate and inflation movements on the Technical Provisions measure of long-term liabilities and in the longer term move towards hedging 100% of Low Dependency measure of liabilities as the funding level and Technical Provisions measure convergence with Low Dependency.

In addition, 40-50% of the net investments are to be invested in return seeking investments comprising global equities, equity futures, investment property, credit and debt investments, private equity and infrastructure investments. Both matching and return seeking assets, which total £7,974.4m (2020: £7,334.7m), are supported by using repurchase agreements to provide cash that can acquire additional matching assets, which along with other cash and derivatives decrease net assets to £6,619.6m (2020: £6,165.5m).

The Trustee considers the asset classes and investment risks in matching and return seeking terms. The investment strategy and its attendant risks are best explained in this context.

NOTES TO THE FINANCIAL STATEMENTS - continued

An analysis of the investments held in the Nationwide Section by the different strategies is provided below:

Asset Class	Segregated £m	Pooled £m	2021 Total £m	2020 Total £m
Matching Assets				
Government and Supranational Bonds[1]	4,453.6	-	4,453.6	4,561.9
Alternative Matching Assets:				
Long Lease Property	153.4	134.2	287.6	269.0
LP Property	-	162.6	162.6	142.2
Cash	30.0	51.7	81.7	7.8
Derivatives	0.9	-	0.9	(1.3)
Other assets/liabilities	6.4	-	6.4	4.0
Total Matching Assets	4,644.3	348.5	4,992.8	4,983.6
Return Seeking Assets				
Equities	-	1,020.9	1,020.9	636.6
Corporate Bonds	0.2	619.7	619.9	572.4
Private Markets				
Infrastructure	-	231.9	231.9	214.1
Property	74.1	161.8	235.9	259.9
Private & Property Debt	-	294.0	294.0	212.4
Private Equity	-	517.5	517.5	438.6
Cash	20.0	61.8	81.8	15.5
Derivatives	(20.6)	-	(20.6)	2.5
Other assets/liabilities	0.2	-	0.2	(0.6)
Total Return Seeking Assets	73.9	2,907.6	2,981.5	2,351.4
Cash and Leverage/Derivatives				
Cash		30.6	30.6	95.5
Other Derivatives	0.8	-	0.8	(1.3)
Other	24.8	-	24.8	-
Net Repurchase Agreements	(1,410.8)	-	(1,410.8)	(1,263.4)
Total Other Assets and Liabilities	(1,385.2)	30.6	(1,354.6)	(1,169.2)
Total Net Assets (excluding AVCs)	3,333.0	3,286.7	6,619.7	6,165.5

[1] The value of bonds in Matching Assets has decreased and this is principally due to decreases in repurchase agreements used to progress the de-risking strategy.

<u>Matching Assets</u>
The Trustee has set an allocation target for total investment in matching assets of between 45%-60% of the total investment portfolio as part of the matching asset investment strategy. As at 31 March 2021 the matching asset portfolio of £4,992.8m (2020: £4,983.6m) represented 76% of the total net investment portfolio (2020: 81%). Adjusting for repurchase agreements means the matching asset portfolio nets down to 55% which is within the ranges set for the portfolio, but it will vary depending on normal market/interest rate movements.

Interest Rate Risk
The Nationwide Section is subject to interest rate risk through its investments in bonds, long lease property, ground rents, interest rate swaps and cash, either as segregated investments or as pooled funds and derivative contracts, as set out in the table above. However, these assets are held as part of the matching assets strategy to mitigate liability risk because of their sensitivity to interest rates, so if interest rates fall the value of the matching assets will rise to help match the resulting increase in actuarial liabilities. Similarly, if interest rates rise the matching asset investments will fall in value as will the actuarial liabilities.

The Trustee has a strategy to maintain an interest rate hedge of at least 100% of liabilities measured on a technical provisions basis. At 31 March 2021 the interest rate hedge ratio was 100% (2020: 101%).

Inflation Risk
The Nationwide Section is subject to inflation risk through its investments in the segregated index linked securities (as per Note 10), long lease property and ground rents, either as segregated investments or as pooled funds, as shown in the table above, and inflation swaps (as per Note 14). The long lease property assets and ground rent investments are only partial hedges for inflation as the income streams they generate are uplifted at set periods and not annually. However, these assets are held as part of the matching assets strategy to mitigate liability risk because of their sensitivity to inflation. If inflation rises the value of the matching assets will rise to help match the increase in actuarial liabilities. Similarly, if inflation falls the matching asset investments will also fall in value as will the actuarial liabilities. The Trustee has a strategy to maintain an inflation hedge of 100% of liabilities measured on a technical provisions basis. At 31 March 2021 the inflation rate hedge was 100% (2020: 100%).

Return Seeking Assets
The year-end allocation to return seeking assets of £2,981.6m (2020: £2,351.1m) was 45% (2020: 38%), within the range set under the strategic asset allocation. This reflects the accounting treatment of synthetic equity exposure rather than the economic risk. The Fund considers its risk exposure in economic terms rather than the accounting treatment. This means that asset allocation limits are set with regard to the economic risk rather than the accounting treatment. This is highlighted by the following table. The allocation will also vary depending on normal market movements and the SIP allows for the Trustee to make short term allocations that move beyond these ranges. The Fund is within the SIP ranges on both an accounting and economic basis.

Manager/Fund	Accounting Exposure (£m)	Economic Exposure (£m)
Developed Equity	789.6	1,103.8*
LGIM Passive	640.1	640.4
Russell Futures	(20.6)	270.2
LGIM TRS	170.1	193.2
Emerging Market Equity	198.3	198.0
LGIM EM	198.3	198.0
Total	987.9	1,301.8

**In addition to the synthetic equity exposures, a £330m equity collar has been executed during the year which reduces the Fund's exposure to both upside and downside equity performance. This contractual arrangement introduces additional credit risk, which is collateralised, and price risk.*

Interest Rate Risk
In the Return Seeking Assets, the segregated bonds and cash and a proportion of the private & property debt and private equity funds as shown in the table above are also exposed to interest rate risk. The investment managers will consider the risk and expected reward when determining which investments to invest in.

All Nationwide Section Assets
Currency Risk
The Nationwide Section operates a global investment strategy and therefore is subject to currency risk across a broad range of investments. The Trustee manages this in a variety of ways.

- Developed market equity investments are held in pooled funds and included derivative held exposure through total return swaps and futures; they have a target currency hedge of 70%, with a range of 65%-75%. This is provided by holding the hedged element in a sterling share class with the fund manager hedging the position. Hedging beyond this level is considered to be inefficient with the costs of hedging outweighing the benefits. This was the case at the current and preceding year end.

NOTES TO THE FINANCIAL STATEMENTS – continued

- Exposure to emerging markets equities representing 20% (2020: 17%) of the economic risk exposure to equity as shown in the table above whilst held in a sterling denominated fund is not hedged as return from these investments is derived from both equity and currency performance.
- Non-UK bonds included in the return seeking assets are hedged 100% for currency purposes through investment in sterling share classes where the fund manager hedge the position.
- Generally, currency hedging is not undertaken for overseas private equity, infrastructure, and property investments as the cost would be prohibitive due to the timing and quantity of the realisation of these very illiquid investments being unknown.

Other Price Risk
The Nationwide Section is subject to other price risk principally in relation to its return-seeking portfolio which includes equity and private market funds, as shown in the table above, options and futures (note 14). The derivatives holdings include exposure to a synthetic equity pooled fund that uses total return swaps to obtain equity exposure.

Other price risk varies depending on the particular market. In addition, the Trustee uses repurchase arrangements as part of its investment strategy, which has some re-pricing risk.

The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets it accesses.

Credit Risk
The Nationwide Section is subject to credit risk because it directly invests in bonds and over the counter (‘OTC’) derivatives, has cash balances and enters into repurchase agreements. It also invests in pooled investment vehicles, in which it is directly exposed to credit risk, and is indirectly exposed to credit risks arising on the financial instruments held by the private debt and property debt funds.

Credit risk arising on bonds and loans held directly is mitigated by investing in government and supranational bonds where the credit risk is minimal. Credit risk arising on bonds or loans held indirectly through segregated or pooled accounts is mitigated by:

- bonds which are rated at least investment grade, and
- by investment mandates that specify the type of bonds that can be held; these mandates have been subject to due diligence of the fund manager before any investment was made to ensure that the expected return of the investments was commensurate with their expected credit risk. Investments in this category include two multi-asset credit funds (which holds a range of different bonds and loans across a variety of credit classes and a range of credit ratings), and
- investment in unrated loans that are secured either on commercial real estate or on the assets of a business; the expected return from these loans is commensurate with the expected credit risk.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Section is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Note 14). Credit risk also arises on forward foreign currency contracts which are collateralised with cash for margin calls. Where collateral is not posted all counterparties are required to be at least investment grade.

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

Credit risk on repurchase and reverse repurchase agreements is mitigated through the use of a range of collateral arrangements as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS – continued

Pooled Funds

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

Pooled investment arrangements used by the Fund comprise £2,113.1m (2020: £1,506.5m) unit-linked insurance contracts and £1,173.6m (2020: £1,013.4m) limited partnership arrangements.

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles. This includes bonds, secured loan arrangements and the QIF. The investment managers will consider the risk and expected reward when determining which investments to invest in. This was the case at the current and preceding year end.

C&D Section

For the C&D Section the investment strategy currently seeks to invest: -

- 90%-95% of its investments into Matching Assets that will broadly move in line with the long-term liabilities of the Section. These comprise UK government and corporate bonds. The purpose of holding these assets is to hedge against the impact of interest rate and inflation movements on long-term liabilities. As at 31 March 2021 the bond funds represented 92% (2020: 94%) of the total investment portfolio based on the fair value of the investments. This variance from the target asset allocation is within the target range and will vary depending on normal market/interest rate movements.
- In addition, the Section has set a target asset allocation of 5%-10% of investments being held in global equities. As at the year end the allocation to return seeking assets was 8%. This is within the target allocation and will vary depending on normal market/interest rate movements.

Asset Class	**2021 Total £m**	**2020 Total £m**
Matching Assets		
Bond funds	310.0	338.2
Return Seeking Assets		
World equity fund	28.1	20.4
Total Net Assets (excluding AVCs)	**338.1**	**358.6**

Credit Risk and Pooled Funds

The C&D Section is subject to credit risk because it invests in pooled investment vehicles, in which it is directly exposed to credit risk, and is indirectly exposed to credit risks arising on the financial instruments held by the vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors any changes to the operating environment of Legal & General on an ongoing basis, with the assistance of its investment advisers.

Pooled investment arrangements used by the Section comprise unit-linked insurance contracts in the current and previous year.

NOTES TO THE FINANCIAL STATEMENTS – continued

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles as shown in the table above. This is mitigated by only investing in bonds that are at least investment grade. This was the position at the current and preceding year end.

Currency Risk
The C&D Section is only exposed to currency risk through the world equity fund exposure, as shown in the table above. However, this is mitigated by investment in a sterling share class where the fund manager hedges the underlying currency risk.

Interest and Inflation Rate Risk
The C&D Section is subject to interest and inflation rate risk because of its investments in bonds, through pooled bond funds, as shown above. However, these assets are held because of their sensitivity to interest and inflation rates in order to mitigate liability risk.

Other Price Risk
For the C&D Section, other price risk arises principally in relation to the world equity fund, as shown above.

21. Current assets and liabilities

	2021	2020
	£m	£m
Current assets		
Cash balances	15.0	7.5
VAT debtor	-	0.9
	15.0	8.4
Current liabilities		
Unpaid benefits	(5.6)	(0.3)
Accrued expenses	(1.1)	(0.7)
Amounts outstanding with the Society	(0.9)	(0.8)
	(7.6)	(1.8)

22. Related party transactions

Reimbursements to the Society of pensions payments are disclosed in Note 5.

Included in administrative expenses and investment management expenses are fees charged to the Fund from the Society, as disclosed in Notes 7 and 9 respectively.

Of these, accrued expenses at the end of the financial year included £0.3m (2020: £0.2m) in respect of administrative expenses and £0.9m (2020: £0.8m) in respect of investment management expenses.

Arthur Amos, Trustee Director, is in receipt of pension benefits from the Fund. Details of Trustee Director remuneration are provided in Note 7. Accrued fees and expenses were less than £0.1m (2020: less than £0.1m).

There were no employer-related investments during the Fund year, either directly or in pooled funds.

23. Concentration of Investments

There have been no individual investments greater than 5% of the Fund net assets (other than UK Government Securities).

NOTES TO THE FINANCIAL STATEMENTS – continued

24. Subsequent Events

On 7 May 2021 there was a property fire in a block of properties at New Providence Wharf within the Grasscourt Limited Partnership portfolio. The value of the holding at 31 March was £8.2m. Since the fire the holding value remains unchanged.

25. Nationwide Section: Fund Account for the year ended 31 March 2021

	2021	2020
	£m	£m
Contributions and benefits		
Employer contributions receivable	64.1	125.7
Member contributions receivable	10.6	1.8
	74.7	**127.5**
Benefits payable	(112.1)	(103.5)
Payments to and on account of leavers	(39.7)	(48.0)
Administrative expenses	(6.3)	(5.4)
	(158.1)	**(156.9)**
Net withdrawals from dealings with members	**(83.4)**	**(29.4)**
Returns on investments		
Investment income	86.6	67.7
Change in market value of investments	489.4	236.7
Investment management expenses	(35.0)	(29.7)
Net returns on investments	**541.0**	**274.7**
Net increase in the Section during the year	**457.6**	**245.3**
Net assets of the Section		
At the beginning of the year	**6,180.9**	**5,935.6**
At the end of the year	**6,638.5**	**6,180.9**

NOTES TO THE FINANCIAL STATEMENTS - continued

26. Nationwide Section:
Statement of Net Assets (Available for Benefits) as at 31 March 2021

	2021	2020
	£m	£m
Investment assets and liabilities		
Assets		
Fixed interest securities	1,594.3	2,005.4
Index linked securities	2,859.5	2,556.7
Pooled investment vehicles	3,286.7	2,520.0
Derivatives	52.1	81.5
Property	227.5	231.7
Annuity investments	0.6	0.7
Cash deposits	50.0	111.8
Other investment balances	31.9	4.5
AVC & Bonus Saver investments	12.0	10.0
Amounts receivable under reserve repurchase agreement	262.2	65.0
	8,376.8	**7,587.3**
Liabilities		
Derivatives	(71.0)	(81.6)
Amounts due under repurchase agreements	(1,673.0)	(1,328.4)
Other investment balances	(1.1)	(1.7)
	(1,745.1)	**(1,411.7)**
Total net investments	**6,631.7**	**6,175.6**
Current assets and liabilities		
Current assets	14.2	7.0
Current liabilities	(7.4)	(1.7)
	6.8	**5.3**
Net Assets of the Section at 31 March	**6,638.5**	**6,180.9**

NOTES TO THE FINANCIAL STATEMENTS - continued

27. C&D Section: Fund Account for the year ended 31 March 2021

	2021	2020
	£m	£m
Contributions and benefits		
Benefits payable	(6.8)	(6.7)
Payments to and on account of leavers	(6.2)	(3.8)
Administrative expenses	(0.2)	(0.2)
	(13.2)	**(10.7)**
Net withdrawals from dealings with members	**(13.2)**	**(10.7)**
Returns on investments		
Change in market value of investments	(7.7)	35.1
Investment management expenses	(0.3)	(0.3)
Net returns on investments	**(8.0)**	**34.8**
Net (decrease)/increase in the Section during the year	**(21.2)**	**24.1**
Net assets of the Section		
At the beginning of the year	**360.0**	**335.9**
At the end of the year	**338.8**	**360.0**

28. C&D Section: Statement of Net Assets (Available for Benefits) as at 31 March 2021

Investment assets and liabilities	2021	2020
	£m	£m
Assets		
Pooled investment vehicles	338.1	358.6
AVC investments	0.2	0.1
	338.3	**358.7**
Liabilities		
Other investment balances	**(0.1)**	**-**
Total net investments	**338.2**	**358.7**
Current assets and liabilities		
Current assets	0.8	1.4
Current liabilities	(0.2)	(0.1)
	0.6	**1.3**
Net Assets of the Section at 31 March	**338.8**	**360.0**

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE NATIONWIDE PENSION FUND

We have examined the summary of contributions payable to the Nationwide Pension Fund, for the Fund year ended 31 March 2021 which is set out on page 48.

In our opinion contributions for the Fund year ended 31 March 2021 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Fund Actuary on 2 August 2017 and 9 September 2020 for the Nationwide Section and the Schedule of Contributions certified by the Fund Actuary on 23 January 2020 for the C&D Section.

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

Respective responsibilities of Trustee and the auditor
As explained more fully in the Statement of Trustee's Responsibilities set out on pages 18 and 19, the Fund'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 Fund by the employer in accordance with the Schedule of Contributions.

Use of our statement
This statement is made solely to the Fund's Trustee, as a body, in accordance with the Pensions Act 1995 and the Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

………………….

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE FUND YEAR ENDED 31 MARCH 2021

Contributions payable to the Fund by the employer under the Schedule of Contributions in respect of the year ended 31 March 2021 were as follows:

	£m
Employer normal contributions	60.3
Employee normal contributions	0.2
Redundancy waivers/augmentation payments	3.6
Total contributions received in accordance with the Schedule	**64.1**
Additional employer contributions received not covered by the Schedule	0.2
Additional employee contributions received not covered by the Schedule	10.4
Total contributions as per the financial statements on page 23	**74.7**

Signed on behalf of the Trustee on by:

Trustee Director Trustee Director

NATIONWIDE PENSION FUND

Appendix 1. LGIM Most Significant Votes

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Qantas Airways Limited	International Consolidated Airlines Group	Pearson	Barclays	Medtronic plc
Date of vote	23-Oct-20	07-Sep-20	18-Sep-20	07-May-20	11-Dec-20
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.	Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting.	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve Share Action Requisitioned Resolution	Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation.
How you voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted against the resolution.	LGIM voted against the amendment to the remuneration policy.	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by Share Action.	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.
Rationale for the voting decision	In light of the impact of COVID, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. LGIM's Investment Stewardship team engaged with the company to express concerns regarding remuneration and understand the company's views. LGIM supported resolution 4 given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP). However, there were still concerns as to the quantum of the 2021 LTIP and voted against resolution 3.	COVID negatively impacted financial performance and the company took up support under various government schemes. The company also announced a 30% cut to its workforce and decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM. The remuneration report was also submitted to a shareholder vote. LGIM was concerned about the level of bonus payments and would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company. Over the past few years, LGIM has been closely engaging with the company, which eventually led to the appointment of a new CEO to replace the long-standing CEO and a new board chair: an independent non-executive director.	Pearson issued profit warnings under its previous CEO. Yet shareholders were supportive of the company, believing there is value from new leadership and a fresh strategy. However, the company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy and confirmed that the proposed new CEO would not take up the role if this wasn't passed. Many shareholders felt backed into a corner and were not happy with the plan being proposed. LGIM spoke with the chair of the board, on succession plans and the shortcomings of the current remuneration policy. LGIM also spoke with the chair directly before the EGM, but in the absence of any changes, voted against the amendment to the remuneration policy.	The resolution proposed by Barclays sets out its long-term plans and has the backing of Share Action and co-filers. LGIM is particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as were not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM LGIM engaged with the company and clearly communicated concerns over one-off payments.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration.	28.4% of shareholders opposed the remuneration report.	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)	The voting outcome was as follows: For: 91.73%; against: 8.23%.
Implications of the outcome and what likely future steps will you take in response to the outcome?	LGIM will continue our gagement with the company.	LGIM will continue to engage closely with the renewed board.	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.	LGIM's focus will now be to help Barclays on the detail of their plans and targets and will continue to work closely with the Barclays board and management team. LGIM will continue to liaise with Share Action, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.	LGIM will continue to monitor this company.
On which criteria have you assessed this vote to be "most significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.	Given the unusual approach taken by the company and LGIM's outstanding concerns, this vote was deemed to be significant.	Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM.	LGIM believes it is contrary to best practice in general to award one-off awards, especially if they are to compensate for a forgone payment.

Appendix 1. LGIM Most Significant Votes - Continued

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Olympus Corporation	Fast Retailing Co. Limited.	Amazon	Cardinal Health	ExxonMobil
Date of vote	30-Jul-20	26-Nov-20	27-May-20	04-Nov-20	27-May-20
Summary of the resolution	'Resolution 3.1: Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting held on 30 July 2020.	Resolution 2.1: Elect Director Yanai Tadashi.	Shareholder resolutions 5 to 16	Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.	Resolution 1.10 - Elect Director Darren W. Woods
How you voted	LGIM voted against the resolution.	LGIM voted against the resolution.	Of 12 shareholder proposals, LGIM voted to support 10.	LGIM voted against the resolution.	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.
Rationale for the voting decision	LGIM have promoted and supported an increase of women on boards, at the executive level and below. LGIM consider that every board should have at least one female director and aspire to all boards comprising 30% women. Last year LGIM sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating an expectation to see at least one woman on the board. One of the companies targeted was Olympus Corporation. LGIM announced they would commence voting against the chair of the nomination committee for companies included in the TOPIX100. LGIM opposed the election of this director in order to signal that the company needed to take action on this issue.	LGIM have promoted and supported an increase of women on boards, at the executive level and below. LGIM consider that every board should have at least one female director and aspire to all boards comprising 30% women. Last year LGIM sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating an expectation to see at least one woman on the board. One of the companies targeted was Fast Retailing. LGIM announced they would commence voting against the chair of the nomination committee for companies included in the TOPIX100. LGIM opposed the election of this director in order to signal that the company needed to take action on this issue.	Amazon was on the front lines of a pandemic response and on the back-foot owing to the harsh workplace practices alleged in the New York Times. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Employees have consistently reported not feeling safe at work, that paid sick leave is inadequate, and that the company only provides a $2 incentive to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with industry leading safety protocols, increased pay, and adjusted absentee policies.	The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs. The Compensation Committee excluded the settlement costs from the earnings resulting in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM voted against the resolution to signal concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.	In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, it was announced that ExxonMobil will be removed from the Future World fund range and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, LGIM also announced support for shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, the voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
Outcome of the vote	94.90% of shareholders supported the election of the director	Shareholders supported the election of the director.	Resolution 5 to 8, and 14 to 16 each received approx. 30% support. 9 and 10 received 16.7 and 15.3% support. 11 received 6.1% support, 12 received 1.5 % and 13 received 12.2% support.	The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)
Implications of the outcome and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with and require increased diversity on all Japanese company boards.	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.	Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement continues to push it to disclose more and to ensure it is adequately managing its stakeholders, and most importantly, its human capital.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.	LGIM believe this sends an important signal, and LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.
On which criteria have you assessed this vote to be "most significant"?	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	The market attention was significant leading up to the AGM, with 12 shareholder proposals on the table the largest number of any major US company this proxy season.	LGIM believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay.	LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

Certificate of schedule of contributions

Nationwide Pension Fund – Nationwide Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2019 to be met by the end of the period specified in the Recovery Plan titled "Nationwide Pension Fund – Nationwide Section , Recovery Plan" signed by the Trustee on 8 September 2020 and by the Society on 9 September 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 titled "Nationwide Pension Fund – The Nationwide Section, Statement of Funding Principles (SFP)" signed by the Trustee on 8 September 2020 and by the Society on 9 September 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: 9 September 2020	
Name: Keith Poulson		Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Verulam Point, Station Way, St Albans, AL1 5HE	Name of employer:	Aon Solutions UK Limited

Certification of schedule of contributions

Nationwide Pension Fund – Cheshire & Derbyshire Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2019 to continue to be met for the period for which the schedule is to be in force.

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 23 January 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:	23 January 2020
Name:	Keith Poulson	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Verulam Point Station Road St Albans AL1 5HE	Name of employer:	Aon Hewitt Limited